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SENEGAL
Reform eludes a model nation
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Heseltine, Hurd and Major contest party leadership after prime minister's defiant farewell

Thatcher announces resignation

By Philip Stephens, Political Editor, in London

MRS MARGARET THATCHER yesterday transformed the political landscape of Britain and opened the way for her Cabinet colleagues to contest the Conservative party leadership election by resigning after 11¼ years as prime minister.

Mr Douglas Hurd, foreign secretary, and Mr John Major, chancellor of the exchequer, announced immediately that they would fight Mr Michael Heseltine, former defence secretary, in the second ballot next Tuesday.

The three *candidates said* that their first objective would be reunite the party after fratricidal warfare during the past two weeks.

The leadership campaigns are expected to be free of the acrimony that characterised Mrs Thatcher's bitter struggle with Mr Heseltine.

At Westminster, MPs reacted with stunned disbelief at the abrupt and undignified close of the Thatcher era. Mrs Thatcher's supporters were in a state of shock

The contenders pledged to build on Mrs Thatcher's inheritance but each offered also the prospect of a softer, less radical edge to the government's policies in an effort to rebuild its support before the general election.

Mr Heseltine, whose powerful campaign won him 152 votes against the prime minister proved the trigger for her resignation, emerged as the strongest contender at the start of the race.

But after a day charged with emotion and sadness there were forecasts that he would be be unable to win an overall majority next Tuesday, raising *the prospect of a further ballot* the following week. Mrs Thatcher will remain in Downing Street until a new leader is chosen.

Mrs Thatcher, the longest-serving prime minister for a century and the victor in three general elections, gave up her fight to retain the leadership after a majority in her cabinet said she faced certain *defeat by Mr Heseltine.*

In a brief statement after yesterday morning's Cabinet meeting, she said that she had withdrawn because: "I have concluded that the unity of the party and the prospects of victory in a general election would be better served if I stood down".

She gave no public clue to her preferred successor, but it was widely agreed at Westminster that she would prefer to hand over the keys of Downing Street to Mr Major.

Her decision – and her record as one of the most powerful and influential British prime ministers this century – drew accolades from political friends and from foreign leaders and reluctant but genuine admiration from opponents.

She looked drawn and sad as she arrived at the House of Commons to defend her government's performance in a confidence debate tabled by the opposition Labour party.

Mr Neil Kinnock, Labour leader, and Mr Paddy Ashdown, Liberal Democrat leader, both included tributes in their demands – rejected by the *prime minister* – for an immediate general election.

In a vintage Commons performance which brought laughs, cheers and the occasional tear, Mrs Thatcher vigorously defended what has become known as the Thatcher Revolution.

She pledged also that she would continue to fight against a federal Europe – the issue that in the end had proved her downfall.

Her decision to stand down from the contest had been forced by the conclusion of both a majority in the Cabinet and of her campaign managers that she faced certain defeat if she attempted to battle on against Mr Heseltine. Less than 24 hours earlier she had declared: "I fight on; I fight to win".

The decision by Mr Hurd and Mr Major to enter the leadership contest came after they failed to agree that only one of their names should go forward. But both emphasised that their had been no acrimony. It had impossible to assess in the time available who had the *strongest support.*

Mr Heseltine, who drew his strength in this week's ballot against Mrs Thatcher from the widespread perception that he is best suited to lead a recovery in Tory electoral fortunes, will continue to emphasise his vote-winning potential.

Prime minister Margaret Thatcher makes a point during debate in the House of Commons yesterday, flanked by chancellor John Major (right) and party chairman Kenneth Baker

DAY'S EVENTS

- Thatcher decides at about 7.30am to step down as leader of the Conservative party and prime minister. At 9am she informs Cabinet.
- Decision made public at 9.30am. Sterling and UK stocks strengthen on news
- Douglas Hurd and John Major are nominated for leadership ballot by 11.30am, half-an-hour before deadline
- Thatcher leaves to tender resignation to Queen Elizabeth at 12.34pm. She remains in office until successor appointed.
- Neil Kinnock pays *tribute to Thatcher in* parliament. She leads debate against his motion of no confidence in government.

REACTION

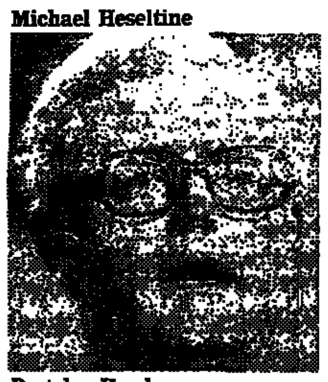
- Bush: 'She is a woman of principle. She stood for what she believed'
- Gerasimov: 'In our imagination she was the Iron Lady who would fight to the end'
- Heseltine: 'She has made a remarkable contribution to Britain's history and has led this country with distinction'
- Hurd: 'I believe I can unite the party in handling the present problems and in winning the next general election'
- Major: 'I believe I would like the opportunity of trying to unite the party'

VOTING

- Votes from more than half the 372 Conservative MPs are needed to win Tuesday's second round.
- If no result, the contest goes to a third round on *Thursday. First and second* preferences are then given, and the candidate with the fewest first votes drops out; his second choices are distributed between the others.

THE CONTENDERS

Michael Heseltine



Douglas Hurd

John Major

World leaders react with mixed feelings

By Our Foreign Staff

SURPRISE and sadness dominated the reaction of world leaders to the news that Mrs Margaret Thatcher would bow out from the world stage she had graced for 11 years.

Among her staunch allies the sentiment was one of sadness. "I'll miss her," President George Bush said during a Thanksgiving dinner with US marines at a desert camp in Saudi Arabia.

"She has been a staunch friend and ally. She is a woman of principle. She stands for what we believe in. You always knew where she was and what she believed in," he said.

Her close relationship with President Mikhail Gorbachev was also reflected in the response from Moscow. "We will remember her as someone who made a great contribution to the good relations between the Soviet Union and the continent." Mr Gennady Gerasimov, Foreign Ministry spokesman, said.

"She was a historic figure who helped bring the Soviet Union closer to Europe," he said. However, there was also unashamed relief among those, particularly in Europe, who had fought bitter battles with Mrs Thatcher in the international arena.

"I hope this will put an end to divisions on such a vital issue as the European one," Mr Willy de Clercq, a former Belgian prime minister, said.

Mr Roland Dumas, the French foreign minister, forsook the normal diplomatic expressions of regret and admiration and merely predicted that there would be a shift in Britain's European policy.

On the other hand, he did not expect any change in Britain's policy towards the Gulf crisis.

Mr Theo Waigel, the German finance minister, said he would miss her, but not her continuing insistence that "I am always right." There was a notable silence from German Chancellor Helmut Kohl.

A sentiment of respect, even from her adversaries, nevertheless prevailed. "I think we were all shocked and the (Com
Continued on Page 22

ON OTHER PAGES

How the depressing truth dawned of certain defeat

By Philip Stephens

MRS THATCHER knew in her heart by Wednesday evening that she would have to stand down. But it was only at 7.30 yesterday morning that she finally agreed to bow to the inevitable.

The evening before a succession of Cabinet ministers had trooped into her office at the House of Commons.

She had invited them, one by one, to explain how and why she would "fight and fight".

By the time the last had departed, she had learnt the harsh, depressing truth that her friends and her closest allies had been hiding from her. That she faced certain defeat in next Tuesday's ballot.

She would hand the keys of Downing Street to Mr Michael Heseltine, the man she believed was most likely to destroy it.

It was one of the most dramatic, and ugly, political coups in modern political history.

A cabinet that Mrs Thatcher had dominated for so long offered her two choices: resignation or humiliation.

Mr John Major, the chancellor, and Mr Douglas Hurd, the foreign secretary, had both advised her earlier in the day against fighting on.

She had rejected their advice and insisted that they sponsor her candidacy once again.

Mrs Thatcher had been persuaded by her friends that the "fainthearts" had misjudged the mood at Westminster.

She could beat the odds, overturn the conventional wisdom, ignore the consensus as she had done so many times
Continued on Page 22

Gardini loses battle for control of Enimont

By John Wyles in Rome

MR RAUL GARDINI, Italy's most unpredictable business baron, yesterday accepted L2,805bn ($2.53bn) as the price for his exit from the basic chemicals business and then resigned his presidency of the Ferruzzi group in protest.

His decision to sell Montedison's 40 per cent stake in Enimont to ENI clears the way for the state energy company to become the vehicle for the full nationalisation of the chemicals joint venture, which has been tormented by the battle for control between the two main shareholders.

Mr Gardini has also moved to withdraw himself from a prominent role in Italian business life. He coupled his resignation from Ferruzzi Finanziaria, the main holding company of the L16,000bn a year turnover group, by resigning from the executive of Confindustria, the main industrialists organisation. He said he had decided "for ideological reasons not to participate in any national economic society or grouping".

This was a cannonball directed largely at the political majority in Italy which he *believes deliberately prevented* him from exercising an option to buy out ENI's 40 per cent stake in Enimont. Ferruzzi said yesterday that the conditions which the government insisted on attaching to an ENI sale to Montedison amounted to "strong limitations on the freedom to manage."

Ferruzzi cited the requirement that Enimont stay under Italian control until the end of 1992, the "practical impossibility of ceding assets" and the creation of an arbitration procedure governing "decisions which are the sole prerogative of the businessman" as the main stumbling blocks. But ENI's resort to the courts and the subsequent sequestration of both partners holdings had also been an important factor, Ferruzzi said.

Enimont, the world's ninth largest chemical company *accounting for 35* per cent of Italian output, is suffering from falling demand in most of its businesses. It registered a consolidated net profit in the first half of the year of L151bn entirely through asset sales. The company's agrichemicals business is losing L1bn a day and its debt is expected to reach L8,500bn by the end of the year against net capital of L5,700bn.

As a result of yesterday's agreement ENI will pay L2,805bn within 10 days and then launch a public offer on the same terms for the minority 20 per cent of Enimont held by third parties.

ENI said that the offer would take the form of a four year variable rate bond whose six monthly dividends would be tied to yields on Treasury bonds and to three month interbank lira rates.

Having fought an extraordinarily bitter battle all year with Montedison for management control of Enimont, ENI managers were in triumphant mood last night. The price being paid for the Montedison stake had been fixed after valuations conducted by Merrill Lynch and Goldman Sachs in collaboration with Italian experts. According to Mr Franco Piga, *minister for state* shareholdings, the valuations had ranged from L2,750bn to L2,850bn.

An offer too good to refuse, Page 24

Business Summary

Thomson CSF expects 18% earnings fall

Thomson CSF, Europe's largest defence electronics group, expects net earnings to fall by nearly 18 per cent for 1990.

The group, 60 per cent owned by the French government, expects to make only a 6 per cent net profits return on sales of FFr36bn ($7.25bn) this year. Page 23

MARKETS: Nikkei average gained 583.29 to close at 23,400.28 on bargain-hunting by dealers. Frankfurt continued its recovery after Wednesday's holiday with the DAX closing 28.80, or 1.9 per cent, *higher at 1,496.10.* Wall Street was closed for the Thanksgiving Day holiday. Back page, Section II.

PRESIDENT Carlos Menem of Argentina signed decree to sell 85 per cent of Aerolineas Argentinas, the country's state-owned flag carrier, to a consortium led by Iberia, the Spanish airline. It is his second big privatisation in two weeks. Page 28

BOND Corporation Holdings, embattled quoted flagship formerly run by Alan Bond, announced appointment of four directors to represent the convertible bondholders who are likely to take control of the group after a debt-for-equity swap. Page 30

KYOCERA, Japanese high technology ceramics and electronics company, posted a pretax profit rise 23.5 per cent up at Y29.9bn ($230m) in the six months to September, 1990 on sales up 11.6 per cent to Y163.1bn. Page 24

GERMAN government emerged as easily the largest writer of options within the D-Mark derivatives market in one of the stranger side-effects of the increasing number of financing requirements related to unity. Page 27

World News

UK doubles Gulf troop commitment

Britain is to double to 30,000 the number of its servicemen committed to the multinational alliance facing Iraq. Soviet foreign minister Eduard Shevardnadze flies to China today for talks on the Gulf. Page 4; Bush plays walk-on role, Page 22

Soviet arms cut

Soviet military spending is to be cut next year by about 6 per cent because of arms reduction accords. Page 2

Romanians protest

Thousands of anti-government protesters demonstrated in Bucharest to demand President Ion Iliescu's resignation.

Papandreou absent

Former Greek socialist premier Andreas Papandreou failed to appear before an investigating magistrate to answer charges over a bank scandal.

NSW farms burn

Nearly 200,000 sheep were killed in New South Wales's biggest fire, which roared through grazing land on a front hundreds of miles wide. Page 4

Passengers shot

Suspected Sikh militants shot dead 25 bus passengers near Chandigarh, Punjab's state capital.

Danish poll date

Danish premier Poul Schlüter called a snap election for December 12 after his government lost support for its economic programme. Page 3

Emperor's rite

Japan's Emperor Akihito drew protests by performing a controversial rite that critics say violates separation of state and religion.

CONTENTS

Man from nowhere turns Polish poll into a three-horse race

Poland's rather dull presidential election has come alive thanks to a challenge from an unknown Polish Canadian businessman, Stanislaw Tyminski (left), who could beat Poland's prime minister into third place. Page 2

MARKETS

STERLING
London:
$1.989 (1.9685)
DM2.91 (2.9175)
FFr9.825 (9.8425)
SFr2.46 (2.4625)
Y250.75 (251.25)
£ index 94.2 (94.0)

GOLD
London:
$380.25 (379.8)

N SEA OIL (Argus)
Brent 15-day Jan
$30.0 (29.325)

Chief price changes yesterday: Page 23

DOLLAR
The New York markets were closed yesterday for the Thanksgiving Day holiday

London:
DM1.478 (1.4815)
FFr4.99 (5.0)
SFr1.249 (1.2515)
Y127.3 (127.6)
$ index 59.9 (59.8)
Tokyo close: Y127.13

STOCK INDICES
FT-SE 100:
2,127.9 (+1.6)
FT Ordinary:
1,672.2 (−3.8)
FT-A All-Share:
1,023.82 (+0.1%)
Tokyo: Nikkei
23,400.28 (−388.49)

LONDON MONEY
3-month Interbank:
closing 13 13/16 % (13 11/16)
Liffe long gilt future:
86 7/32 (85 31/32)

Gorbachev proposals likely to be approved

THE SOVIET parliament is likely today to approve President Mikhail Gorbachev's proposals to overhaul the government, but the move will not mean a quick end to the country's political crisis, writes Leyla Boulton in Moscow.

The plan provides for a presidential cabinet to rule in conjunction with a newly-strengthened Council of Federation, representing all republican leaders, who would have a final say on union policy.

Mr Gorbachev, who received parliament's preliminary approval a week ago, is expected to spell out details of the plan today.

Even if the Soviet parliament approves the plan, constitutional authorities say that it can become law only if endorsed by the Congress of People's Deputies, the "super-*parliament" which meets next* month. Another question mark concerns which way Russia, the largest single republic, will jump.

Although Mr Boris Yeltsin, the popular Russian president, has called for a referendum, he has not rejected the presidential plan out of hand, suggesting he may be open to a bargain with the *Mr Gorbachev*.

Mr Gennady Filshin, a Yeltsin deputy, said that while a referendum was desirable, it would be difficult to carry out *in conditions of economic cri*sis and popular despair.

The reaction of other republics is still uncertain. Lithuania will almost certainly boycott even discussions of the plan but leaders of five other republics, including the Ukraine and Byelorussia, said the proposal's success would depend on how it respected their sovereignty in practice.

For instance, it is unclear how the Council of Federation should take its decisions. While some republics have called *for it to* work on a consensus basis, they will be unable to reach unanimous agreement on contentious issues - such as how to allocate *hard currency revenues*.

Another unanswered question concerns the fate of Mr Nikolai Ryzhkov, the unpopular prime minister, who has already said there is no room for him under the scheme.

Late runner turns Polish poll into three horse race

Christopher Bobinski on how a challenger from Canada is enlivening a dull election campaign

POLAND'S rather dull presidential election due on Sunday has come alive thanks to a challenge from an unknown Polish Canadian businessman who could beat Mr Tadeusz Mazowiecki, the prime minister and a Solidarity stalwart, into third place.

Mr Stanislaw Tyminski, the leader of Canada's small if radical laissez-faire Libertarian party who only arrived on the Polish scene last month, poses little *threat to Mr Lech Walesa*, the front runner, but he has revealed strong constituency dissatisfied with the mainstream candidates.

Mr Tyminski has neither charisma nor any clear programme. But as Solidarity's appeal has been worn down by 13 months of government he offers an attractive alternative, that of the emigrant who went to North Amer*ica and made good*.

His low tax message has won him the support of small business – which has suffered in the recession – and workers, who hope that he will repeat his personal success on a national scale.

The polls show that people are most interested in an end *to* the present recession, an improvement in living standards and a *fall in unemployment*.

Until Mr Tyminski began to make an impact it was Mr Lech Walesa who had benefitted from public dissatisfaction with the Solidarity government.

Mr Walesa has made much of the fact that privatisation has come too slowly and argued that unemployment should be alleviated by greater injections of credit into the economy.

EASTERN EUROPE ELECTS

Poland

That support is still there and Mr Walesa should finish ahead of the pack on Sunday. But some supporters have turned to Mr Tyminski as Mr Walesa moder*ated* his criticism of the government as his prospects of victory improved.

Mr Walesa has even said that he would work with Mr Leszek Balcerowicz, the deputy prime minister in charge of the economy, raising the question why he had criticised the government's economic policies in the first place.

The developments of the last few days have dismayed Mr *Mazowiecki's supporters, who* have run an amateurish campaign. They have argued that Poland is safer in their candidates hands than with Mr Walesa, but so far they have attracted the the support of only the intelligentsia and some workers who want to see an intellectual as president.

Mr Mazowiecki can count on little support from the countryside, which represents 40 per cent of the electorate. The farmers, who have seen their incomes fall as food demand in the cities has dropped, want a change. Their vote will be split between Mr Walesa, Mr Bartoszcze, the PSL farm party candidate and Mr Tyminski.

The countryside is most open to the influence of the powerful Catholic church, which until now has studiously avoided making its preferences clear. Both main Solidarity candidates suit the church.

Mr Walesa, who may be the more unpredictable of the two, has said nothing on abortion or religion in schools, the two issues of greatest importance to *the church*.

Mr Mazowiecki, once an editor of a Catholic weekly, has longstanding links with the church and can be relied on not to harm its interests. Like the rest of Poland's Solidarity establishment the Church is dismayed at the support for Mr Tyminski. It remains to be seen whether the church will intervene should it see him within reach of victory.

LATEST OPINION POLL

	per cent
Tyminski	20
Walesa	27
Mazowiecki	17
others	12
undecided	24

If no candidate wins more than 50 per cent of the vote on Sunday, the top two will compete in a run-off on December 9

Man from nowhere: Stanislaw Tyminski with his Peruvian wife Graciela

TADEUSZ MAZOWIECKI

Deal maker burdened by doubt

TADEUSZ MAZOWIECKI, 63, is Poland's first post-war non-communist premier and came to the post at Mr Walesa's suggestion.

An accomplished negotiator who is at his best when political *deals have to be struck* behind the scenes, Mr Mazowiecki is less at ease out on the hustings.

He is cautious and obstinate *as well as slow to take* decisions. This style has opened his government to the charge from the Walesa camp that it has been tardy in introducing change.

Mr Mazowiecki's introvert instinct has also hampered the public presentation of his poli*cies and aroused mistrust* which Mr Walesa has been able to exploit.

He is opposing Mr Walesa on the grounds that the latter's policies will lead *to* inflation and government disorganisation. He originally edited a Catholic monthly and served in parliament for two terms in the 1960s in the small Catholic Znak group. He became an adviser to Solidarity and Mr Walesa in 1980 and remained *faithful to the movement* through internment in the early 1980s.

He played a key role in the round table talks with the communists in 1989, which ultimately led to their demise.

LECH WALESA

Freedom fighter with the style of a dictator

LECH WALESA, 47, an electrician and father of eight, led Poland's struggle for freedom for 10 years – but when he announced he would run for the presidency erstwhile allies accused him of wanting to be a dictator.

Although he remains the leader of the Solidarity trade union which he helped found in 1980, he wants to move the country towards a market *economy, while minimising the* social costs of the move away from the socialist system.

Mr Walesa strongly believes in his political instincts which indeed have yet to fail him. He also says that the confidence he inspires will suffice to defuse social tensions.

His critics charge that if elected he will disregard constitutional procedures and arbitrarily impose his will on government and parliament.

Mr Walesa puts it differently. He declares that Poland needs a stern leader to oust the remnants of communism and show the Polish people, suffering under the government's harsh economic austerity, that things are *moving forward*.

"When we are changing the system, we need a president with an axe: determined, sharp, straightforward," Mr Walesa said *at the outset of his* campaign.

STANISLAW TYMINSKI

Promise of rags to riches

● STANISLAW TYMINSKI, 42, *is a Canadian-Polish busi*nessman who left his home country in 1969 to make, by his own account, a modest fortune in Canada and Peru.

Completely unknown in Poland until last month, when he managed to collect the 100,000 signatures needed to stand in the election, Mr Tyminski is the leader of the small radical *laissez faire* Libertarian Party in Canada.

A small, unassuming man, he lacks charisma, but his rags to riches story has caught the imagination of at least a fifth of the 27m-strong electorate. *He has aroused hope that he* will be able to do the same for Poland.

His campaign has relied heavily on *Holy Dogs*, his ghost-written book which reveals a tendency to mysticism.

He has been attacked for this in newspapers supporting Mr Mazowiecki, which have also hinted heavily that he *may* have had links with the former communist authorities.

But these attacks have strengthened rather than damaged his support.

THE OTHER CANDIDATES

Old guard lack new ideas

ROMAN BARTOSZCZE, 44, a farmer, is the leader of the PSL farmer's party, whose historic role was reduced in post-war Poland to that of a satellite of the Communists.

Mr Bartoszcze was an activist in Rural Solidarity in 1981 and was later interned for his pains. *He* entered parliament on the Solidarity list in 1989 but left Mr Walesa's grouping to lead the PSL. His lacklustre personality as well as the fail*ure to exploit discontent in the* countryside over the government's economic policies mean that he is unlikely to make much impact.

● *LODZIMIERZ CIMOSZEW*ICZ, 40, was once a university law teacher and former Communist Party member who now owns and runs a successful farm in eastern Poland. Mr Cimoszewicz, who entered parliament as a communist in 1989 but did not join the SDRP, the communist party's successor, is nevertheless being backed by the movement.

● *LESZEK MOCZULSKI*, 60, founder in 1979 of the KPN independence party, is a journalist and historian whose *anti-Soviet stance cost him six* years in prison between 1980 and 1986. Although the most radical of the candidates, his grating voice has cost him support and he can expect a mere 1 per cent of the vote.

Leadership crisis for Bulgaria

By Judy Dempsey in Sofia

BULGARIA was last night plunged into a leadership crisis after the country's most powerful independent trade union vowed to hold a general strike next Monday if Mr Andrei Lukanov, the prime minister, refused to resign.

Calls for the resignation of Mr Lukanov, a socialist, who yesterday tried to seek support for next year's budget, *also* came from the Union of Democratic Forces, a loose coalition of 15 political groupings.

The UDF and Podkrepa, a 500,000-strong trade union led by Mr Konstantin Trenchev, said the ruling Bulgarian Socialist (former communist) party was leading the country towards catastrophe, and that Mr Lukanov had failed to sweep away communist structures.

If Mr Lukanov resigns, he will be replaced by Mr Peter Beron, a senior member of the UDF who yesterday was nominated by 12 of the UDF'S political movements.

Until recently, the UDF refused to consider any coalition with the BSP and blocked the implementation of any economic reforms.

Even if the UDF and the BSP formed a coalition it would *pursue the same reforms* which Mr Lukanov has been trying to push through.

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BUSINESSES FOR SALE

هكذا من الاصل

Customs horror stories belie the single-market spirit

By Lucy Kellaway in Brussels

EC CITIZENS who want to go on holiday in other member states, send relatives birthday presents across borders, get buried in another Community country, or simply want to nip over the border to buy a bag of chips are being harassed, fined and even in some cases imprisoned.

A list of customs post horror stories published by the Commission yesterday showed that, as far as the individual is concerned, the idea behind 1992 – that one can move oneself or one's belongings easily from one member state to another – is a fiction.

The Commission finds a mixture of causes for the sufferings and inconveniences inflicted on travellers at the border: member states are not following EC directives, some directives are too inflexible, and customs officers, while acting within their rights, have a tendency to bloodymindedness.

An example was when a party of school children from the depressed region near Orléans set off for a holiday in the Netherlands only to be turned back at the border. The customs guard, noticing that there were two Moroccans in the party, objected because, as they were not all French, they could not travel on a group French passport.

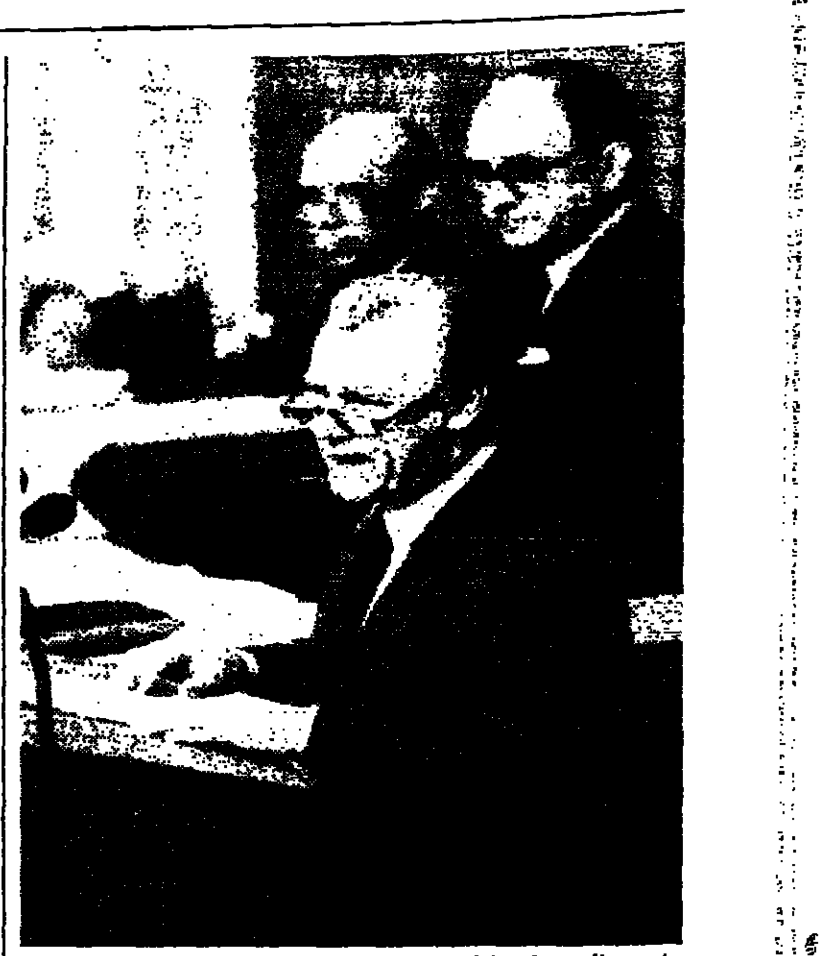
A Danish student on an EC study scheme visit to Rome had her luggage sent back to Denmark when she could not pay the 18 per cent VAT on her belongings that was being unlawfully demanded by the Italian authorities.

A young Belgian woman, who married a Spaniard in Spain, and who returned six months later to get her wedding presents, was prevented from entering Spain. Unknown to her, an obscure EC directive says all wedding presents may only be carried VAT-free two months before or four months after the wedding.

Another Belgian who tried to walk across a lonely customs post into the Netherlands to buy some chips was hounded by a Dutch official, who said that the crossing point was only for those who lived in the immediate neighbourhood.

The sorry collection is in marked contrast to the message from the latest progress report on 1992, also published yesterday by the Commission. The report shows that most of the 279 directives on technical barriers to trade have already been agreed, or are about to be, and that member states are taking them more seriously by greatly improving their poor record in translating the directives into national law. Meanwhile, the psychological effect of 1992 seems to have galvanised 1,300 companies into making cross-border mergers in the past year worth Ecu30bn (£21bn), and has led to a rapid increase in investment and a 20 per cent rise in industrial production since 1984.

The Commission makes clear that the remaining area where big difficulties persist is in the removal of physical frontiers. It regrets that so little progress has been made by member states on agreeing measures on value added tax, excise duties and measures to stop drugs and terrorism.



MR POUL SCHLUTER, Denmark's prime minister, in parliament yesterday, where he announced a general election to the Folketing for December 12. The election follows the breakdown of negotiations over tax and labour reforms between his minority coalition and the Social Democrats, *Hilary Barnes reports from Copenhagen.*

Draft trade pact omits text on financial services

By *William Dullforce* in Geneva

FINANCIAL SERVICES have been left out of the draft text of an agreement to liberalise world trade in services tabled in Geneva yesterday.

Banks, insurance companies and other enterprises supplying financial services, especially in the US, have been the most energetic supporters of the talks in Gatt's Uruguay Round aimed at instituting international rules for free trade in services.

Yet, after nearly four years of negotiations, the draft of the General Agreement on Trade in Services (Gats) contains a blank page where an annex should be inserted to cover financial services.

In a note at the bottom of the page, Mr Felipe Jaramillo, chairman of the group negotiating on services, explains that, while the need for an annex on financial services is agreed, "there is no agreement on the scope and contents of this annex."

Developing nations have objected to the text, providing for a high level of liberalisation in financial services, drafted by a small group, including the EC, the US and Japan.

However, negotiators do not regard this omission as irreparable, provided world trade ministers can resolve the major flaw in the Gats text at their five-day meeting in Brussels starting on December 3.

This concerns a US proposal, strongly reaffirmed yesterday, that would effectively render impotent the most-favoured-nation (MFN) rule embodied in the framework agreement. The US demand "rips the guts out of the agreement", one negotiator said.

A government would have to apply trade benefits granted to one country to all others. For services, the US wants application of the MFN rule to be made conditional on governments' commitments to liberalise.

A government would remain free to apply to any other country whatever treatment it liked, whether on a unilateral or bilateral basis, until it had made a commitment under the Gats.

Other countries consider that the US administration has knuckled under to the interests of politically powerful domestic interests, such as the shippers, airlines and providers of basic telecommunications.

Little support for plans on defence or more say for European MPs

Italy's EC proposals run into trouble

By David Buchan in Brussels

ITALY'S proposals for the European Community to develop a common security policy with mutual defence obligations and for the European Parliament to have the last say on EC laws have run into opposition from several of its EC partners.

Italy, which holds the EC presidency, is clearly trying to give the forthcoming inter-governmental conference on political union a blueprint to work on, similar to that provided to the conference on economic and monetary union by the 1989 Delors report.

The Italian proposals were circulated among EC governments this week and their foreign policy provisions debated by EC diplomats in Brussels on Wednesday.

The proposal that the EC should duplicate the mutual defence obligation of the Western European Union, which groups nine EC members, and eventually take over the whole organisation when the WEU treaty expires in 1998, drew criticism from the three non-WEU members, Ireland, Greece and Denmark, and also from Britain and Germany.

Germany said it did not want to jeopardise the recent achievement of getting united Germany accepted into Nato.

In very general terms, the Italian initiative appeared to get the backing of Chancellor Helmut Kohl, who, speaking yesterday to the German parliament, called for the creation of a United States of Europe.

Describing the EC as the anchor of the new Europe, he said: "We want to develop it in the direction of European union and thereby lay the foundation stone of the United States of Europe." This would involve member states ceding sovereignty to EC institutions, he said, provided that clear parliamentary control was established at the European level.

Mr Kohl made clear his support for Italy's proposal to give the European Parliament a right of co-decision, with the Council of Ministers, on EC legislation.

But such an idea is likely to be opposed by France and Britain, and does not have the backing of the European Commission, which is influential among smaller EC states.

German car sales given eastern lift

By Andrew Fisher in Frankfurt

THE continuing surge of long pent-up demand from east Germany sent German car production and sales to new records last month, with the buoyancy of the widened domestic market after unification more than making up for the decline in exports.

For the first time ever, vehicle output (including trucks) in October neared the half million mark, with a rise of 11 per cent to 499,900 units. Production of cars alone was 10 per cent higher at 467,200 units, the German Automobile Industry Association (VDA) said. But exports in October dropped by 8 per cent to 236,800 cars.

Normally, new car demand is moderate in October. But the strength of demand from east Germany pushed up new registrations by 37 per cent from the September level to 296,507 cars, the Federal Vehicle Office said. This was a rise of 21 per cent on October 1989.

German car manufacturers have added shifts to meet the demand from east Germany, which has also led to a jump in second-hand prices. This has prompted many west German drivers to sell their old cars and buy new ones, thus further increasing pressure on sales, said Mr Bruno Kesseler, an economist at Westdeutsche Landesbank.

Before the German border was opened a year ago, new registrations in East Germany had totalled less than 200,000 cars a year, mostly of Trabant and Wartburg models whose production is being phased out.

Volkswagen, which is investing around DM5bn (£1.7bn) in east Germany, said its inability to satisfy rising domestic demand in full had led to longer delivery times and bigger dealer backlogs.

Bonn fiscal policies under fire

By David Marsh in Bonn

THE German government's financial policies yesterday came under furious attack from Mr Oskar Lafontaine, the Social Democratic candidate for the December 2 elections, who claimed that next year's overall budget deficit would total DM200bn (£69.2bn).

Mr Lafontaine is attempting the near hopeless task of dislodging Mr Helmut Kohl from the Chancellery. Yesterday, during a hot-tempered Bundestag debate, the challenger five times accused the Bonn government of "lying" about the need for tax rises next year, and said rising public borrowing would throttle the economy.

Mr Theo Waigel, the finance minister, replying for the government, complained that Mr Lafontaine's "small-minded polemics" on the cost of unity cast shame on the Social Democratic Party.

Mr Waigel brushed aside recent sombre forecasts over the economic future of east Germany. Worries about a financial squeeze next year have been heightened by a 10 per cent wage claim from German public service unions representing a total of 4.6m workers.

Public sector employers say that the claim from the OTV trade union would cost DM28bn.

In yesterday's debate, Mr Lafontaine said the chancellor's admission at the weekend of higher public sector "levies" next year gave the lie to previous protestations that taxes would not be raised.

Heavily barracked by government deputies, Mr Lafontaine urged Mr Kohl to come forward and explain "what taxes, levies and fees are to be increased next year."

The chancellor did not take up the invitation.

Sweden likely to seek EC membership in 1991

Robert Taylor in Stockholm

EDEN is likely to apply for nbership of the European munity next year, it was unced yesterday.

e ruling Social Democrats reached agreement with ree main opposition par- on the wording of a six- resolution on the EC to be ented to parliament for its roval on December 12.

nly the small group of com- lists and the Green party likely to oppose the new Pi dish bipartisan commit- t to EC entry, while an vhelming majority of MPs set to support the move.

The resolution suggests that Sweden's desire to join the EC is compatible with the country's neutrality policy and with the positive development of security in Europe at this week's Paris summit of the Conference on Security and Co-operation in Europe.

Sweden seems unlikely to hold a referendum on membership. However, the broad political consensus that has emerged, coupled with favourable public opinion surveys in favour, suggests that the only opposition will come from a *small minority*.

THE MIDDLE EAST

Britain to double troop presence in Gulf

By Victor Mallet, Middle East Correspondent in London

BRITAIN yesterday announced "a potent increase" of its forces in the Gulf, doubling to 30,000 the number of its servicemen committed to the multinational alliance facing Iraq.

Mr Tom King, the Defence Secretary, told parliament that the British government had decided to deploy the Fourth Brigade from Germany, including a further 43 Challenger tanks, as well as a divisional headquarters and supporting forces. They would join the Seventh Armoured Brigade – the Desert Rats – in Saudi Arabia to form the 1st Armoured Division.

In all a further 14,000 troops will be operational early in the New Year, bringing the British land forces to some 25,000 – which is nearly three times the number deployed in the 1982 Falklands conflict. Mr King also announced the despatch of a further two minehunter vessels. The new commitments are at the top of end of expectations and represent the most powerful option discussed by the UK cabinet.

They run counter to the Iraqi belief that the resignation of Mrs Margaret Thatcher will weaken Britain's determination to drive Iraq out of Kuwait. Mrs Thatcher said the Conservatives had not and would not flinch from difficult decisions like committing troops to the Gulf.

Mr King said Britain wanted to resolve the crisis peacefully. "To do this, it is essential to establish a credible offensive military option," he said. "Saddam Hussein must be made to realise that he is faced with a military force which will otherwise compel him to withdraw."

Britain's extra equipment will include howitzers capable of firing nuclear shells, Lynx anti-tank helicopters and two multiple-launch rocket batteries.

Mr King said this "potent increase in the fighting capabilities of British forces in Saudi Arabia" would raise operational spending by £10m a week, in addition to substantial initial costs, although Saudi Arabia and the Western European Union would provide services and cash in support of the deployment.

Urging employers to be sympathetic, he told parliament that the sending of skilled personnel abroad would need to be offset by the selective use of reservists, especially those with medical training.

Mr King told a news conference later that it appeared Iraq was beginning to comprehend the degree of its isolation, and he said he had heard reports that General Nizar Khazraji, the recently dismissed Iraqi chief of staff, was under arrest.

"The clock is starting to tick. There is not much time left," he said. In the event of war, "the conflict will be short. It will be extremely painful for the Iraqis."

The first ships were expected to leave this weekend, and the new forces would become operational "progressively through January", Mr King said.

Baker seeks to woo Yemenis

By Eric Watkins in Sanaa and **Victor Mallet** in London

MR JAMES BAKER, US secretary of state, and President Ali Abdullah Saleh of Yemen met in Sanaa yesterday to discuss their differences over the Gulf crisis, as Washington pursued its attempts to secure UN backing for the use of force against Iraq.

"The US and Yemen are united in their view that Iraq should never have invaded Kuwait, that it should withdraw from Kuwait, and that the legitimate government of Kuwait should be restored," Mr Baker said.

But both sides acknowledged that they differed on how to resolve the crisis. Yemen has been relatively sympathetic towards Iraq and has opposed the presence of US troops in neighbouring Saudi Arabia.

"We don't support the presence of foreign forces in the region," Mr Saleh said.

Mr Baker sought to reassure the Yemen government. "The moment this crisis is over we want our troops home and as soon as we can possibly get them home. We do not seek nor do we desire any prominent presence," Mr Baker said.

As negotiations continued over a UN resolution authorising military action against Iraq, Mr Eduard Shevardnadze, the Soviet foreign minister, was preparing to visit China today to discuss the Gulf crisis.

Among the five permanent members of the UN Security Council which have the power of veto, the Soviet Union, China and France have all expressed caution about giving Washington the green light for an offensive to liberate Kuwait.

Mr Shevardnadze is expected to meet his Chinese counterpart, Qian Qichen. Yesterday Li Zhaoxing, the Chinese foreign ministry spokesman, said efforts for a peaceful solution should continue. He described the proposed UN resolution as "a very serious and complicated issue" which should not be hurried through.

Israeli officials, meanwhile, expressed dismay about President George Bush's decision to meet President Hafez al-Assad of Syria in Geneva today. "We were surprised by the decision because Assad is still engaged in terrorism," one official said.

Sheikh Zayed brings new men into UAE cabinet

By Our Foreign Staff

SHEIKH Zayed bin Sultan al-Nahayan, president of the United Arab Emirates, has named a new cabinet, in the first comprehensive government reorganisation for a decade.

The most striking change is the replacement of Dr Mana al-Oteiba, the oil minister for 20 years, by Mr Yusuf Omeir Yusuf, a graduate of Arizona University. The principal role of the new UAE oil minister is to represent the state in the Organisation of Petroleum Exporting Countries.

Other changes were the appointment of Sheikh Maktoum bin Rashid, the new ruler of Dubai, as prime minister, Maj-Gen Hamouda bin Ali as minister of the interior, and Mr Rashid Abdullah as foreign minister – a new post.

Two sons of the president, Sultan bin Zayed and Hamdan bin Zayed, became deputy prime minister and minister of state for foreign affairs. Neither has much experience of politics, and Sultan enjoyed a wayward youth which, it was once thought, had disqualified him from office.

The cabinet changes were prompted by the death in September of Sheikh Rashid, the ruler of Dubai and prime minister, who had been incapacitated by strokes since 1981.

Weaker domestic demand will hit S Korea's GNP

By John Ridding in Seoul

SOUTH KOREA'S gross national product growth rate will slow to 7.3 per cent in 1991, compared with an estimated 8.8 per cent this year, the Bank of Korea forecast yesterday.

The slowdown will come from a weakening in domestic consumption and continued weakness in export industries, the central bank said.

The current account is also expected to deteriorate, with a deficit rising from about \$1.7bn this year to about \$3bn. Higher oil prices will offset the forecast improvement in merchandise exports and a slowdown in import growth.

A spokesman for the central bank warned that increased inflationary pressures would result from a double-digit rise in government expenditure and money supply growth. These factors, combined with further depreciation of the Korean won and an increase in public utility charges, would keep the rate of inflation at about 10 per cent.

The expansion of the construction sector is expected to slow, with output up by about 15 per cent against 29 per cent this year. Building output from construction activities is forecast to rise by about 15 per cent, compared with over 29 per cent this year.

The rate of investment is also expected to slow, with the increase in expenditure on fixed investments falling from 24.3 per cent this year to just over 13 per cent. A strong increase in trade with eastern Europe and the Soviet Union, is expected to lift merchandise exports by an inflation adjusted rate of about 7 per cent. Imports, which have been rising by an annualised rate of over 10 per cent this year, are expected to slow to a growth rate of about 7 per cent Reflecting the cooling down in the economy, the rate of unemployment is forecast to increase slightly from 2.5 per cent to just under 3 per cent.

Fire sweeps across Australian farmland

By Kevin Brown in Sydney

AUSTRALIA'S farmers, struggling to cope with depressed commodity prices and high interest rates, were hit by a natural disaster yesterday as thousands of square kilometres of prime farmland went up in smoke.

The New South Wales Agriculture Department said between 180,000 and 200,000 sheep were killed in the state's biggest fire, which roared through grazing land near Hay on a front hundreds of kilometres wide.

Fires were also burning on a wide front in inaccessible country near Glen Innes, in the north of the state. At least 160,000 hectares of Australia's best grazing land was on fire.

Mr Ian Armstrong, the state agriculture minister, said the government would make low-interest loans available to farmers to help them recover. Further north, in Queensland, firefighters said up to 10 per cent of the state's land area was on fire.

Thai reshuffle

General Chatichai Choonhavan, the Thai prime minister, announced a minor reshuffle of his cabinet yesterday in an apparent attempt to reach a compromise with military commanders who had been seeking the removal of an outspoken minister, writes Peter Ungphakorn in Bangkok.

Gen Chatichai did not sack Mr Chalerm Yoobamrung, a police captain, as deputy education minister, but demoted him from a portfolio attached to the prime minister's office. The former police officer has accused the military of corruption.

Kenyan bankrupt

Kenya's longest-serving cabinet minister lost his government post and his seat in parliament yesterday after being declared bankrupt, Reuter reports from Nairobi. Mr Paul Joseph Ngei had been minister for manpower development and employment and a member of the cabinet since independence in 1963.

Transkei coup bid

Troops loyal to General Bantu Holomisa, leader of South Africa's Transkei black tribal "homeland", yesterday foiled a coup, Reuter reports from Johannesburg.

China stops arms

China is no longer supplying arms to the Cambodian resistence, notably the Khmer Rouge, officials claimed yesterday, writes Peter Ellingsen in Peking.

Soviet call to scrap nuclear weapons

By John Ridding in Seoul

NUCLEAR weapons and foreign troops should be removed from the Korean peninsula to increase stability and security in the Asia Pacific region, a senior Soviet official said yesterday.

Mr Vadim Medvedev, a member of the Soviet Presidential Council, also confirmed Moscow's intention of reducing its military presence in Asia. He said that 200,000 Soviet troops would be withdrawn from the region by 1992 and that sharp cuts would be made in the Soviet Pacific fleet.

Speaking at a meeting of South Korean academics, politicians and businessmen, he said the Soviet Union was ready to "guarantee the denuclearisation of the Korean peninsula along with other nuclear powers".

Mr Medvedev said the Soviet Union also supported a North Korean proposal for the withdrawal of the 43,000 US troops stationed in South Korea, and the north's demands that the peninsula be made into a nuclear-free zone.

North Korea accuses the US of maintaining nuclear weapons in the south, while the US and South Korea have expressed concerns that North Korea is developing its own nuclear arms capability.

"We are firmly convinced that it is impossible to realise progress in the Pacific region without the essential removal of military confrontation," Mr Medvedev said.

The Soviet Union has been one of North Korea's principal military and economic supporters since the division of the Korean peninsula in 1945.

Earlier this year, however, Moscow established diplomatic relations with Seoul and has been reducing its commitments towards Pyongyang.

Mr Medvedev also called for increased trade and investment links between the Soviet Union and South Korea. He said that the Soviet Union was keen to acquire Korean capital and technology and sought Korea's participation in developing the eastern regions of the Soviet Union.

Later, Mr Medvedev held a meeting with Mr Park Pil Soo, South Korea's minister for trade and industry. The Korean government announced draft plans to supply 41 commodity items to the Soviet Union and undertake 11 investment projects. The plan is expected to be finalised at a bilateral economic meeting in mid-December.

● Mr Medvedev also proposed leaders that Asian leaders meet to speed up talks on arms control, AP reports from Seoul.

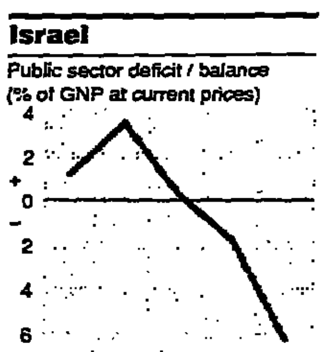
He said that by 1992, Soviet soldiers stationed in Mongolia would be pulled out and the Soviet presence in Cam Ranh Bay, Vietnam, would be substantially reduced.

Israel counts the cost of its new human capital

Hugh Carnegy on financing of the fresh flood of Soviet Jewish immigrants

DISCUSSING the economic implications of the huge flood of Soviet Jewish immigrants pouring into Israel can sound a bit like one of those "good news, bad news" jokes.

The good news, says Prof Michael Bruno, governor of the Bank of Israel, is that the typically highly-qualified immigrants represent a priceless boost to Israel's human capital. "It completely changes our prospective rate of growth and brings it back to what we haven't seen since the 1950s and 1960s – eight, nine, 10 per cent [a year] compared to two or three per cent."



The bad news is that the immigration is taking place so fast – a million newcomers are now expected by the end of 1992 – that it poses "one of the toughest problems that any Israeli government has ever had to face in the short run".

On Sunday, Mr Yitzhak Shamir, the prime minister, and his cabinet will confront these problems when they consider a budget plan for next year drawn up by the finance ministry. Prof Bruno likes to draw a parallel between Israel's task and the struggle in Germany to absorb what was east Germany into the dominant capitalist system. Each involves expanding productive capacity sufficiently to absorb a sudden enormous population increase without bursting budgets and fuelling inflation.

However, while the German government has projected a budget deficit of 2.5 per cent of GNP, scaling down over five years and accompanied by a pre-set programme of spending cuts, Israel is contemplating a deficit next year of at least 5.5 per cent of gross national product and has yet to spell out where cuts will come, or plot budgets beyond 1991.

The Bank of Israel itself set the deficit target, which Prof Bruno acknowledges with a self-deprecating smile. "We are responsible for what looks like an irresponsible announcement that we can afford a deficit of 5.5 per cent... the minister of finance now likes to say: 'Look, the rabbi says we can afford 5.5 per cent so who am I to say differently.' But what I keep repeating is, I said a 5.5 per cent deficit with two very major qualifications."

Those qualifications were that a five-year programme of declining deficits, strict expenditure cuts and limited defence spending growth be spelled out and that spending go into capital investment, not current consumption. At least the first set of conditions does not look like being met. In fact, the combination of faster-than-projected immigration and extra defence spending as a result of the Gulf crisis is already threatening to overrun the deficit target set by the central bank.

"These two items together are in the order of Shk3bn – that's about three per cent of GNP. That's a sizeable additional burden and the question is how will that be solved? In my opinion that requires a much tougher budget cut than I see being planned at the moment."

The central bank reckons Israel will need to raise at least \$20bn over the next five years for immigration absorption. "Comfortable" foreign reserves and a drop in outstanding external debt in the last five years from the equivalent of 80 per cent of GNP to 35 per cent allows room for significant borrowing expansion, Prof Bruno says.But he is worried that lender concerns about the Middle East and a growing worldwide credit squeeze will make it hard for Israel. This is why he attaches great importance to securing US government loan guarantees held up for most of this year by rows with Washington over Israeli policy in the occupied territories.

What, ultimately, all these issues must be directed at is producing employment to soak up the immigration flow.

Prof Bruno expresses some optimism that a combination of domestic demand and a break-up of labour market rigidities will tide the country over until the hoped-for investment in export-oriented industry begins to produce new jobs at a level to satisfy the largely skilled newcomers.

"I don't think it's guaranteed that 1m Jews can be absorbed over a three year period – although I've no doubt they could be easily absorbed over 10... the risk is the loss of this golden opportunity and that's why it is so important that the government gets its act together."

Antarctic Treaty signatories split over mining

By Leslie Crawford in Santiago

THE 39 signatories to the Antarctic Treaty, meeting in Chile to map out a future for the continent, are struggling to find a formula dealing with the divisive issue of commercial mining.

Several proposals have been tabled at the conference, which began this week in the resort of Viña del Mar.

Australia and France have presented a draft convention outlining comprehensive protection for the Antarctic environment, which includes a ban on all commercial mining activities, including oil drilling.

Although many scientists hold the view that that mining on the continent will not be technologically feasible for another 30 years, a growing number of countries believe that banning mining altogether is the only way to preserve the last great wilderness on earth for future generations.

The proposal, backed by Belgium and Italy, outlines a system classifying all activities according to their potential environmental impact. Some would be prohibited – including nuclear explosions, the disposal of radioactive and toxic wastes, and "any activities relating to mineral resources" – while others would be classified as high or low impact and would be evaluated before being permitted.

A similar proposal tabled by New Zealand also includes a ban total prohibition on prospecting or exploiting Antarctica's hidden mineral wealth.

However, Britain, with the support of Chile, Argentina and Japan, has submitted a draft protocol which sets out general principles for protecting the environment but which ignores the mining issue.

The British view is that different activities should receive separate attention, and that the protocol should be flexible enough to incorporate new activities as they arise. Underlying Britain's proposal is recognition of the mining issue's sensitivity and that time is needed to find a way of making it less divisive.

Britain was a strong supporter of a minerals convention that sought to regulate mining in Antarctica. However, several countries, led by France and Australia, said last year that they would not sign it.

The British delegation believes that technology could eventually allow environmentally safe mining in Antarctica, and that the world should not be denied these resources in advance.

It is prepared to consider a 30-year moratorium on mineral activities, but not without a commitment from all parties to have an improved minerals convention in place before the moratorium expires.

The US is adopting a middle road. Mr Curtis Bohlen, head of its delegation, said: "The US believes there will not be a consensus for a permanent ban on mining. Our primary objective is to restore the consensus that has been lost over the mining issue."

None of the participants wants to see the three-week meeting collapse over the minerals issue, but the opposing camps are conducting fierce behind-the-scenes consultations to size up their respective strengths.

Mr Alan Brown, leader of the Australian delegation, said: "We are not seeking a confrontation over the mining issue, but it is inevitable it will arise. We are absolutely not varying our position."

Environmentalists find whales a good catch

John Barham in Golfo Nuevo on Argentina's developing conservationist movement

A HUSH sweeps over the passengers of a small boat tossing in the waters off the Patagonian coast. The boatman steers towards a whale and its calf playing in a sheltered inlet.

Instead of fleeing, the huge animals turn and approach the boat. The calf rolls over, showing off its black and white belly and swims playfully back and forth beneath the boat.

The vessel is carrying 20, mostly foreign, tourists who have each paid \$18 to spend an hour watching whales in Argentina's Golfo Nuevo.

The calf smacks its fins on the water as cameras click and whirr. A corpulent German pats his videocamera and says with an ecstatic grin: "I got it all in the box." The whole boat cheers as the whales dive, their blade-shaped tails waving in the air.

The southern right whales of Patagonia are a mystery. About 1,200 whales come to Golfo Nuevo and neighbouring Golfo San José every year, arriving in May and leaving in October.

It is estimated that about 40,000 people come to Golfo Nuevo annually to see the whales. A decade ago, nobody came. Researchers find that, far from being disturbed by the tourists, whales seem to enjoy the attention. Whales are known to follow boats and are seen in increasing numbers in parts of the gulf open to the tourist boats.

The remarkably gentle whales fascinate Argentines. Both they and Mr Graham Harris, president of Fúndacion Patagonia Natural, a conservationist group, are attracting increasing press coverage and raising interest in the environment.

Nobody is sure why they converge at this spot, where they come from or where they go. What is known is that the right whales were hunted almost to extinction. There are only about 3,000-4,000 left, although the population has increased sharply with the virtual end of whaling.

Mr Harris says "as much as half the times that people go out, the whales come up to the boat and people get very excited. That makes them more interested in nature. There's no doubt that the whale-watching industry is good for the whales."

Despite the growing interest in the environment, Argentina's green movement is still very small and lacks significant political clout. Argentina is the only country in South America without broad legislation to protect the environment.

The World Bank, one of the few sources of foreign loans for Argentina, now insists on strict environmental safeguards on all development projects it finances. It has beguna discreet campaign to place environmental issues on the political agenda.

Environmental issues are bound to increase in importance – if only because the government wants to put the poorly developed tourist potential to good use.

Dr Roger Payne of the Boston-based Whale and Dolphin Conservation Society says: "To save anything, you have to have a vested interest and in this part of the world it is tourism." He is credited with encouraging development of the right whales' tourist value in Patagonia. Whale-watching began in the US, where it has become a thriving industry.

Mr Alejandro Jorge Borboroglu, owner of Sur Turismo SA, Patagonia's leading travel agency, says: "We try to do things with a conservationist philosophy. We know that the fauna are a resource that we must preserve because we depend on them."

As well as the whales, Patagonia's coast has a large temporary population of highly photogenic penguins, sea lions and cormorants. However, environmentalists are concerned at the lack of regulation of eco-tourism in sensitive regions. The provincial government has only two rangers in the region and the coastguard has no vessels to monitor tourist boats.

Furthermore, concern is growing over expanding fishing, oil and manufacturing industries in southern Argentina.

The government is encouraging the development of oil reserves in Patagonia and Tierra del Fuego and heavy fishing off the region's coast. Industrial plants in Patagonia are widely believed to dump waste directly into the sea.

Critics accuse the national oil company of being inadequately equipped to deal with oil spills. Mr Harris predicts that it is only a matter of time before a spill contaminates Patagonia's desolate and still largely unspoilt coastline.

Chamorro pledges troop withdrawal

By Tim Coone in Managua

TENSIONS between moderate and right-wing factions within the Nicaraguan government have eased following pledges by President Violeta Barrios de Chamorro to withdraw troops which were sent last weekend to clear barricades in two provinces.

A movement led by dissident mayors has been blocking highways in the Boaco and Chontales provinces in an attempt to force the resignation of Mrs Chamorro's senior cabinet ministers and the head of the armed forces. The mayors' actions have been widely backed by former Contra rebels.

After meeting the mayors, Mrs Chamorro agreed on Wednesday to withdraw the military convoy sent last Sunday to clear barricades along the main road through the provinces and to distribute a further 23,000 hectares (57,000 acres) of land to demobilised Contras in the region.

This land in addition to 100,000 hectares already distributed to about 5,000 families of the former rebels.

Mrs Chamorro refused to consider any cabinet changes but agreed to replace police chiefs in the two provinces and to reduce the number of military bases there from 34 to 18.

During the height of the war against the Contras, the cattle-ranching regions of Boaco and Chontales witnessed some of the bitterest fighting.

In last February's general election the then-ruling Sandinista party suffered its heaviest defeats there.

About 15,000 former Contras are still waiting for the government to fulfil an earlier pledge to distribute 35 hectares of land to each of demobilised rebel. It is unclear whether protests being organised in other parts of the country will continue.

Collor's populist appeal put to the test by recession

By Christina Lamb in Rio de Janeiro

BRAZILIANS go to the polls on Sunday in the final stage of an election which may well decide the fate of President Fernando Collor de Mello's anti-inflation programme. With his government increasingly isolated, the run-offs for 16 state governorships could not have come at a worse time.

A poll last week by one of Brazil's leading newspapers showed most Brazilians have lost faith in the government's economic policy. Two-thirds said they were worse off since the launch of the Collor economic plan and only 28 per cent approved of it.

Mr Collor's personal popularity remains high; his performance is rated good or satisfactory by 71 per cent. But charisma and populist appeal may not be enough against a backdrop of deepening recession and business and labour hostility. Pro-Collor candidates look set to lose in five large states, including São Paulo, the biggest.

The first round of polling, on October 3, selected congressmen and senators, with 11 state governors elected outright. Supporting or being supported by Mr Collor was an electoral advantage in most states.

The president emerged with about 49 per cent of the 503 deputies and 55 per cent of senators from parties broadly favourable to his government. The Workers' party, whose leader, Mr Luís Ignacio de Silva, narrowly lost to Mr Collor in presidential elections, won only 34 congressional seats.

But Brazilian politicians will switch support on the basis of the latest opinion poll or inflation figure, and since October the situation has changed dramatically. The last six weeks has seen the resignation of the justice minister, the head of Petrobras, Brazil's powerful state oil company, and the leader of the government in Congress. All three accused the government of corruption and incompetence.

The toughest gubernatorial fight is in São Paulo, where Mr Paolo Maluf, the president's candidate, is trailing in opinion polls. His opponent, Mr Luiz Antonio Fleury, is the protégé of the current governor, Mr Orestes Quercia, who intends to stand for president in 1994 and is vehemently against Mr Collor's anti-inflation drive.

Under the 1988 constitution, states have considerable power, receiving 50 per cent of federal tax revenues. Mr Quercia will lead a front of seven states which could block privatisations and undermine the anti-inflation programme through mass spending.

Mr Collor is learning the impossibility of governing without congressional support. He is contemptuous of pork-barrel politicians, whom he has refused to oblige in the traditional manner with jobs and contracts. But the refusal of Congress to pass legislation vital to the success of his programme – such as de-indexation of wages from inflation – has shown the necessity of negotiating. If he compromises too much, however, the plan could be jeopardised.

Senator Roberto Campos, a former planning minister, says: "The 1988 constitution gives the executive responsibility without power and the Congress power without responsibility... If Collor's life is to be easier in the new parliament he needs to abandon his Olympian attitude."

INTERNATIONAL NEWS

Leaders meet to push for African common market

AFRICAN leaders gathered in Swaziland yesterday for a two-day summit to push forward the dream of a common market for eastern and southern Africa, Reuter reports from Mbabane.

At least 14 heads of state were expected for the annual meeting of the Preferential Tariff Area (PTA) which is to open today at a hotel in the picturesque Ezulwini Valley.

Mr Bax Nomvete, the PTA secretary-general, is confident the organisation is on course for economic integration and currency harmonisation among its 18 member states.

"The PTA is an organisation established with the view to the creation of an economic community of eastern and southern African states. We are on target for upgrading the PTA into a free trade area by the end of the century, then to a common market," he said.

The PTA was born out of the Lagos Plan of Action agreed at a summit of the Organisation of African Unity (OAU) in 1980.

Mr Nomvete, a South African living in exile, has headed the PTA since it started up in 1983, but is due to retire next month.

Mr Kumbirai Kangai, the industry and Commerce Minister of Zimbabwe, believes the PTA could be an important factor in future regional economics.

"If we go by the progress we have made since the very short inception of the PTA, I see no reason why the objectives of the PTA could not be realised by the year 2000."

The achievements include:

- Agreements on tariff reductions among members covering more than 700 so-called "common list" commodities.
- Establishment of a clearing bank for intra-regional trade and introduction of PTA travellers cheques.
- Moves to free trade through the abolition of import licences and other non-tariff barriers.
- Harmonisation of road transport costs.

Mr Nomvete said the key to economic integration lay in monetary harmonisation.

"If we are to succeed in integrating economies, a single currency, co-ordination of monetary and fiscal policies and the harmonisation of exchange rates are indispensable instruments for the creation of a common market," he said.

Political reform eludes Africa's model nation

Senegal's democratic image and praised multi-party system only go skin deep, reports Julian Ozanne

FOR 16 years the tall, glass-fronted National Assembly building in Dakar has been feted as "the lighthouse of African democracy".

Since 1974, when former President Leopold Senghor legalised opposition parties, Senegal's multi-party system has stood out as almost a lone beacon of pluralism among black Africa's military dictatorships and one-party regimes.

In the Assembly's library, dusty parliamentary archives recall the colonial period when the building was the semi-autonomous parliament for French West Africa. On the walls are inscribed the names of the Assembly members, many of whom went on to become the first post-colonial presidents of their own countries: Felix Houphouet-Boigny of Ivory Coast, Sekou Toure of Guinea and Leopold Senghor.

In the sparsely furnished circular parliamentary chamber, scene of ferocious political debates, one section of seats is reserved for members of the opposition voted into office in the country's regular multi-party elections.

Outside, in the Place Soweto, street boys sell a wide spectrum of independent newspapers to men passing by in colourful kaftans.

Senegal's printed press remains the freest and most diverse in black Africa ranging from the government-owned daily Le Soleil to the satirical Le Cafard Libere.

In no other African country is lampooning and political assault of the president's personal character so widely tolerated.

In short, Senegal has been seen as a role model. But, in light of recent events, that reputation deserves to be questioned.

This year has been characterised by two important long-term developments in Africa: the lightning spread of movements for multi-party democracy and the gathering belief among international donors that economic reform will remain elusive without political reform.

'You cannot talk of a democracy unless there is free competition of views and unless there exists the very real possibility of a change of the party in power. What we have in Senegal is a one-party state with a permanent opposition.'

The latter has increasingly carried the threat that the continued disbursement of billions of dollars of aid will in future be tied to efforts at democratisation.

Rewarded by international donors for its democratic institutions and pro-western foreign policy, Senegal has persistently been one of the top aid recipients, receiving $99 per capita last year.

But opposition politicians and independent political observers dispute Senegal's democratic image.

"It's a complete facade," said Mr Ousmane Ngom, parliamentary leader of the Democratic Party of Senegal (PDS). "It is a beautiful showcase hiding nothing but anti-democratic practices."

A political front of the nine leading opposition parties is "actively" boycotting municipal elections later this month and demanding comprehensive reform of the electoral system and media practices.

Although there have been three multi-party elections since 1974, the Socialist party (PS) led by President Abdou Diouf has remained in power for 30 years.

The opposition argues that crucial aspects of the electoral code – the absence of an obligatory secret ballot, the lack of proper methods of identifying electors, the opportunity for multiple voting, and the absence of opposition observers at every stage of the poll – has created a situation of "institutionalised fraud".

While the printed press is free the government and ruling party maintain an absolute monopoly of access to the mass media in the form radio and television.

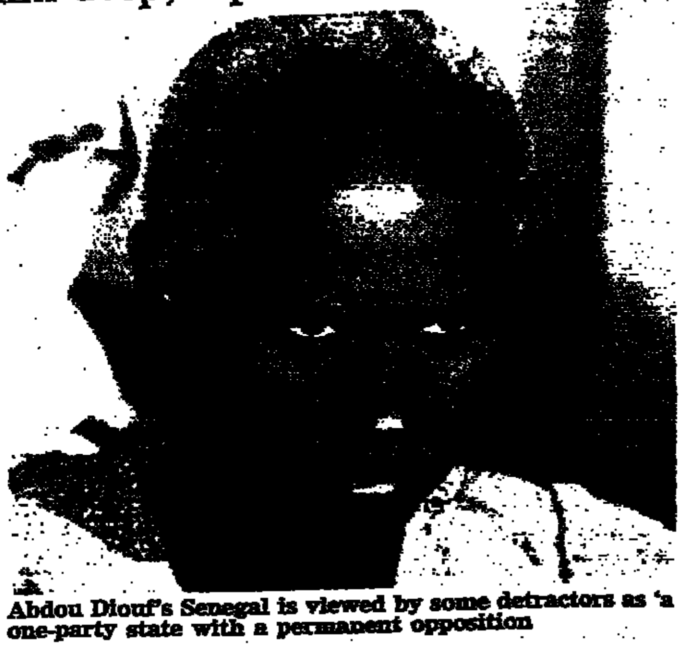
"You cannot talk of a democracy unless there is free competition of views and unless there exists the very real possibility of a change of the party in power," said Mr Abdoulaye Bathily, leader of the socialist LD/MPT.

"What we have in Senegal is a one-party state with a permanent opposition."

Announcement of the last presidential election results in 1988, which the opposition alleged were heavily rigged, sparked off serious rioting in Dakar. The government responded by declaring a state of emergency and arresting opposition leaders. Similar problems are feared during the municipal elections on Sunday.

Opposition leaders claim that ruling parties in Ivory Coast, Zaire and Gabon, which are taking tentative steps towards multi-partyism, have sent delegations to Senegal to learn how to create the impression of democracy without losing power.

"I tell other Africans that, if you think you can achieve all you want through a multi-party system, come and look at Senegal," said Mr Babacar Toure, editor of the highly respected independent Sud-Hedbo newspaper. "Multi-partyism is a necessary, but not a sufficient, condition of democracy."



Abdou Diouf's Senegal is viewed by some detractors as 'a one-party state with a permanent opposition

Mr Toure says democracy in Africa faces almost insurmountable problems – impassable roads, economic backwardness, low penetration of mass media, manipulation by conservative village leaders and illiteracy rates as high as 90 per cent.

"Democracy is as much a matter of mentality. We have to work for a democratic political culture to achieve a real democracy through education, economic democracy, literacy and mass media," he said.

The view that economic liberalisation is a necessary precondition for political liberalisation contrasts with the gathering belief among economists in Africa that political reform will lead to economic reform.

Despite 16 years of partial democracy, Senegal has all the economic distortions usually attributed to the malign influence of the one-party state. It has a large, unwieldy state sector, heavy subsidies and economic rents, corruption, and a reluctance to carry out fundamental economic reforms such as privatisation and a slimming down of the civil service.

Western economists say Senegal's limited democracy, if anything, makes structural adjustment more difficult.

A classic example is civil service reform. For several years the government has struggled in the face of deep-seated opposition to cut the vast public sector payroll, eventually coming up with a costly voluntary departure programme to retire 7.2 per cent of the workforce over the next three years.

After 16 years of a multi-party system, Senegal has neither a political nor an economic democracy. If it stands as a role model for the rest of Africa it is a model of the difficulties of democratisation without fundamental reform of the distinction between state and civil society.

"So long as the ruling party is the state, so long as the government is involved is all aspects of modern and traditional life, democracy and economic development will be difficult," said one western diplomat.

"The party controls the means of access to government largesse so everybody has a vested interest in supporting the ruling party."

As Africa begins its process of democratisation, Senegal's political experiment highlights the difficulties of reform.

It goes to show that, unless a democratic political culture is developed and power is decentralised, political and economic liberalisation is likely to remain elusive.

TECHNOLOGY

Della Bradshaw considers the imminent arrival of a greater variety of phone services for consumers

Spoilt for choice by equal access

Affronted American phone users are now complaining about a particularly underhand tactic being used by some of the US's 300 long-distance phone companies.

"Slamming", as it is called, involves the less scrupulous companies transferring phone users to their services without the consumers' consent. Under existing rules, the long-distance phone company only has to tell the Bell operating company – which handles the local calls – that the customer wants his or her trunk calls put through to its network. Written authority from the customer is not necessary.

The first the phone user may know about the switch is when the phone bill arrives, detailing the long-distance calls. Given that many phone users elect to use the cheapest phone lines available, the switch can be a blow to the wallet as well as to the nerves.

Such abuses can occur because the American phone system operates a system called "equal access". Consumers have access to a range of long-distance phone services from companies such as AT&T, MCI or US Sprint, on an equal basis. They simply tell their local phone company which way to route their long-distance calls.

Equal access now looks certain to be introduced in the UK following a favourable report on the topic in the recently published Department of Trade and Industry consultative document which sets the proposed agenda for UK communications regulation in the 1990s.

Advocates of equal access, such as Mercury Communications, say that it will bring more competition into the phone network and so bring down the cost of making calls. Today only British Telecom and Mercury offer trunk services and BT has a virtual monopoly in the local network.

Those who are wary point to the complexity of the resulting phone network and to the cost. British Telecom has said it will cost £300m for it to provide equal access nationwide. That, responds Peter van Cuylenburg, chief executive of Mercury, is the maximum figure and is a small price to pay for true competition. To replicate the BT local network by wiring up all the households again would cost £20bn, he says.

If in operation today, equal access would mean that 70 per cent of the UK's 18m residential phone users could select between Mercury and BT on equal terms. At the moment, domestic subscribers wanting to use Mercury have to buy a phone with the blue Mercury button, sign up with Mercury and remember to press the special button when they want a call to be routed via Mercury.

By the mid 1990s, as Mercury expands its network, 95 per cent of subscribers would be within reach of the Mercury network, says van Cuylenburg. Each call would begin on BT's local network and then could be transferred to Mercury at an interconnect point between the two networks.

However, the market will not be left to BT and Mercury to carve up between them. The cable television companies also aspire to offer local phone services, as do the mobile phone operators, particularly those licensed to provide personal communications networks (PCN). Other applicants – such as British Rail – are also planning to provide rival long-distance services.

This could mean that within five years the majority of the UK's domestic phone users will have a choice of two local phone services and three or more long-distance ones.

The UK scenario is far more complex than in the US, where the local phone companies – albeit about 1,400 of them – have a virtual monopoly on local calls. The UK situation is also one which is more technically difficult to achieve.

Not only will the phone companies and regulators have to consider equal access but also equal exit – the final journey of the call from the trunk network to the recipient. If that recipient subscribes to two phone services – BT and the cable company, say – a decision has to be made about which line to route the call on.

The likely answer is to ensure that the trunk operator passes the call on to the local company with which it has an agreement – probably the cable companies in the case of Mercury or the BT local network for BT calls.

But the complexity of the issue has led some to support the idea of retailers, who would buy services from the phone companies in bulk and then sell them on to subscribers, calculating the cheapest routes on the way.

"You can't sit down with a pen and a piece of paper and try and sort all this out," says Ian Ellison, one of the architects of the UK's existing duopoly policy and a supporter of the retailer concept.

Van Cuylenburg is much more sceptical. "The retailer concept was developed for cellular radio, which is a 38p a minute call business. Fixed line telephony is a 3p a minute and upwards business. The margins just aren't there. BT says its local phone services operate at a loss."

Others are worried that the system could generate into price wars, takeovers and bankruptcies, as has happened in the cellular business. "I think there will be a price war but I don't think it will be dramatic," says Peter Borer, managing director of British Rail Telecommunications. "There is too much investment required to set up these services."

Those who believe equal access is technically easy to achieve point to Hull, where the independent phone company, Kingston Communications, has been operating equal access for some years.

It delivers all local calls to the boundary of the Hull area, where it connects with both BT and Mercury. All subscribers can select the long-distance carrier on a call-by-call basis. By dialling a 12 prefix calls are routed via BT, while a 13 sends calls via Mercury. Some large customers can also opt to have all their calls routed through a "preferred carrier" – the system prevalent in the US.

The preferred carrier service is limited at the moment, says managing director Ray Matthews, because the company is still assessing the administrative repercussions. If BT, for example, were to suddenly introduce a cheaper rate, not only would Kingston have to handle the calls but also the enormous administrative burden involved in the changeover. All customers in Hull get a single bill.

The Hull model is comparatively simple to adopt, although would be onerous for BT which would would have to adjust the software in its local exchanges. Customers would receive a single bill from BT and BT would pay a share to the long-distance carriers.

More complex, but favoured by Mercury, is the situation where the long-distance phone company does its own billing for calls and then charges the local phone company for its portion. "We would prefer customers to know they are using Mercury," says van Cuylenburg.

Although Van Cuylenburg points to the symbiotic relationship between Mercury, BT and Kingston – the Hull company is prepared to send out both Mercury and BT promotional pamphlets with its phone bills – he believes this sort of relationship will be unrealistic in the new order. "It's stretching credibility to expect BT to put Mercury leaflets in the bills it sends to its customers."

This second option is more difficult because the long-distance phone company needs to know the number of the caller in order to bill them. (With today's Mercury-compatible phones the blue button performs this function, sending a signal to Mercury from which it recognises the caller.)

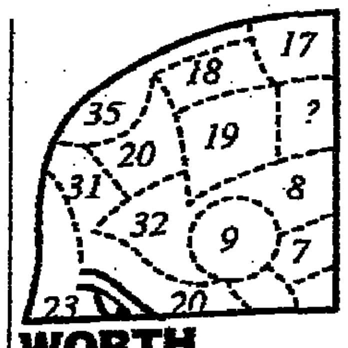
So the number of the caller has to be passed with the call through to the trunk network, where the long-distance company can record it. This calling line identification involves changing the software in the exchanges of the long-distance carrier as well as the BT local exchange.

In addition, it relies on BT's exchanges being modern electronic ones as the older machines are unable to pass on the phone number. By 1995 nearly 90 per cent of all BT local exchanges will be electronic, more than half of them the most modern digital ones.

Concern about technical issues, however, is overshadowed by commercial ones, in particular that BT may not install the software in the timescales required by its rival long-distance operators. There are also questions about how operators would pay for access charges – on a call-by-call or bulk basis.

At the end of the day, equal access will provide just one method of bringing competition – van Cuylenburg reckons that eventually about one third of Mercury's calls will begin life on the BT local network, with PCN and cable companies providing the bulk.

"In five years' time equal access will be seen as a way of bringing competition," predicts van Cuylenburg. "But it will not be seen as as the complete answer."



WORTH WATCHING

by Della Bradshaw

Tractor goes for speed record

HIGH-SPEED farming on the ploughing fields of England was set to begin yesterday with the launch of a high-speed tractor from JCB, the UK excavator manufacturer, writes Lynton McLain.

JCB claims its high-mobility vehicle (HMV) is the world's first high-speed tractor. It can travel at more than 40 miles an hour, about four times as fast as a conventional tractor. It has some of the attributes of a sports car, with a 145 horse-power turbocharged diesel, air operated disc brakes on four equal-sized wheels and independent suspension in place of the rigid axles of traditional tractors.

JCB says it found a gap in the market which suggested the need for a more versatile tractor than was available, especially because the bulk of work performed by many tractors – up to 70 per cent in some cases – was in transport rather than ploughing. Yet the rigid axle of the traditional tractor was not designed for transport.

The HMV can haul 14 tonnes down the road at speed. It can also handle the heaviest, fully mounted five furrow reversible plough, using the 18 forward and six reverse gears of the Perkins diesel.

Speaking the cell's lingo

LIVING cells talk to each other in a chemical code that can fluctuate from a steady stream of instructions to an excited chatter, writes David Fishlock. Learning their language is now seen as an essential step in regulating cell growth.

Efforts to break this code are the task of the Agricultural and Food Research Council's laboratory of molecular signalling at Cambridge University, part of its Institute of Animal Physiology and Genetics Research, according to the council's annual report.

Cells use such chemicals as hormones and growth factors to regulate the activity of tissues and organs. But some stay outside the cells they control, so must communicate through another chemical sensor.

Scientists at the Cambridge laboratory have identified this other sensor as inositol triphosphate (IP3), a breakdown product of a lipid normally found inside the cell. Cells talk through IP3, which also regulates the cell's concentration of calcium ions. Scientists are studying the sources and timing of signals, which sometimes come in fast bursts. Frequency may be another factor – cell calcium levels can oscillate.

The AFRC scientists have developed a space-time model of cell chat that they believe could help unify ideas about intra-cellular calcium signalling. They believe their research could eventually explain that such medical syndromes as blood cots, depression and cancers are a result of failures of communication.

Diesels' double dose of power

DIESEL engines are infamous for the sooty particles of unburnt fuel which they belch into the atmosphere. Now a system which cleans up the exhaust fumes, while doubling the power of the engine, could eliminate the problem.

Scientists at the Argonne National Laboratory in the US have developed a way of providing oxygen-rich air to the engine's intake manifold – 35 per cent of the gas cocktail is oxygen rather than the 21 per cent found naturally in the atmosphere.

This is done by separating the oxygen in the atmosphere from the nitrogen by using a membrane – the first time such a membrane has been used with a diesel. The oxygen is then compressed before entering the engine.

The increase in oxygen enables the engine to burn low-grade diesel fuel in its entirety, so greatly reducing exhaust emissions.

Kevlar joins the fire brigade

KEVLAR, the composite material developed by Du Pont, has been used in everything from ski gear to phone cables. Now it is being used to make a lightweight fire extinguisher which can survive severe crashes.

Developed in Italy by Molding Compositi, the Kevlar extinguisher is three times lighter than ordinary steel or aluminium ones, but is 25 per cent stronger.

The para-aramid case is made by winding Kevlar filaments around a hollow core. This technique, originally developed for the propellant tanks on rockets, means the case can withstand the internal pressure coming from the halon contents. Epoxy resin is then used to glue the filaments together to turn them into a composite.

Fun and games all over France

ZAPPING asteroids in space and surviving in a lawless mining community may seem a relatively standard theme for a computer game. But in France games players are able to pit their wits against rivals up an down the country.

Third Millenium Systems, of Meyreuil on France's south coast, has developed the game, Astroid, so that players can communicate over the French Teletel network. This involves plugging a PC or Atari machine into the ubiquitous Minitel terminal, which is connected to the phone network. Players can blast each others' craft out of existence or form alliances with other players as the game progresses.

The trick for Third Millenium has been to ensure split-second timing. This prevents any dispute about who exterminated who.

The company maintains control over the software, and can update or change it as necessary. In future the company is planning to introduce a commodities exchange for buying and selling precious metals. By changing the price of the metals on a regular basis, Third Millenium could force players to change their strategy.

Contacts: JCB: UK, 0889 590312. AFRC: UK, 0793 514242. Argonne National Laboratory: US, 708 972 5580. Molding Compositi: Italy, 0775 53 81 52. Du Pont: Switzerland, 022 7175111. Third Millenium Systems: France, 42 51 37 83.

Scotland	December 14
East Midlands	December 17
Portsmouth	January 17
Telford & Shropshire	January 21
Peterborough	March 14
Northamptonshire	February 12
Scottish Financial and Professional Services	March 20
Isle of Wight	March 21
Birmingham	April 2
Essex	April 11
Cornwall	April 22

Birmingham	021 454 0922	Leeds	0532 454969
Bristol	0272 292565	London	071 873 3512
Edinburgh	031 220 1199	Manchester	061 834 9381

LEGAL NOTICES

INLAND TRANSPORT MANAGEMENT LIMITED

Registered number: 2429343
Former company name(s):- Eden Borough Limited
Nature of business: Road haulage
Trade classification: Road hauliers
Date of appointment of joint administrative receivers: 9 November 1990
Name of person appointing the joint administrative receivers: Barclays Bank plc
JOSEPH PATRICK CONSIDINE and Richard Anthony Smart
Joint Administrative Receivers
(Office holder nos 056 and 286) of Cork Gully, Churchill House, Churchill Way, Cardiff, CF1 4XQ

PROPERTY HOLDINGS INCORPORATED PLC
(IN ADMINISTRATION)

By interlocutor dated 9th November 199 in the court of Session, Lord Caplan pronounced an interlocutor appointing Surgit K. Singla, F.C.A., 49 Queen Victoria Street, London to be Administrator of Property Holdings Incorporated plc, a Company incorporated under the Companies Acts and having its Registered Office at R.W.F. House, 5 Renfield Street, Glasgow, of all which intimation is hereby given.

Bird Semple Fyfe Ireland, W.S.,
Orchard Brae House,
30 Queensferry Road, Edinburgh
Agent for Petitioners

MILLGATE SERVICES LIMITED

Registered number: 2228077
Trading name(s): M & N Transport
Nature of business: Road haulage.
Trade classification: Road hauliers
Date of appointment of joint administrative receivers: 9 November 1990
Name of person appointing the joint administrative receivers: Barclays Bank plc
JOSEPH PATRICK CONSIDINE and RICHARD Anthony Smart
Joint Administrative Receivers
(Office holder nos 056 and 286)
Cork Gully
Churchill House
Churchill Way
Cardiff CF1 4XQ

THE PROPERTY MARKET

Too much space and too little business

By Vanessa Houlder

ONE WAY or another, this has not been a good fortnight for the morale of the retail property industry.

The receivership of Tobacco Dock, the Docklands shopping centre, hit the headlines. Burton Group announced that its withdrawal from property cost it £119m. And a conference entitled "The new realism – facing the music" organised by the British Council of Shopping Centres was as gloomy as its title.

These events are all symptoms of the same malaise: retailers have too little business and too much space. The euphoria of the late 1980s when rents soared and retailers scrambled for more shops has given way to the strain of the spending downturn and the uniform business rate.

The building programme, which was triggered by the spending spree, ran out of control and will take time to stop. Some 33m square feet of space will come on stream in the next two years while the total space occupied will expand by just 20.7m sq ft according to Verdict, the research consultancy. According to surveyors Debenham Tewson & Chinnocks, there is a development pipeline of 154m sq ft (about a third of the UK's total) although it reckons that only 40 per cent of it will materialise.

The result of oversupply will be empty shops, which is bad for both developers and communities. Gluts of shop property tend to bring with them the eye-sore of boarded-up shops, vandalism and a blight on further commercial schemes. Even now, some of the big DIY retailers find that in certain areas their expansion plans are hindered by developers' reluctance to build new schemes.

Mr David Watts of Debenham Tewson & Chinnocks reckons that a handful of the shopping centres currently being built will fail. "The big multiples are being extremely selective and the centres they do not occupy are almost unlettable at present" he says.

If developers have difficulties letting a centre, a vicious circle may set in. Without a critical mass of shops, a centre cannot attract shoppers; with a shortfall of service charges, it is difficult to keep the centre in good condition.

Tobacco Dock risks being one such casualty. "It did not attract sufficient tenants to produce the income to service its overheads" says Mr Robin Addy, of Coopers & Lybrand Deloittes, the receivers. About 15 per cent of the first phase of shops is vacant; two of the traders have gone bankrupt and a group of tenants padlocked their doors and walked out in protest at the lack of customers earlier this year. The centre is considered difficult to find and some critics believe that the mix of shops – mainly boutiques with a sprinkling of restaurants and high street shops – does not attract shoppers from long distances.

None the less, it is far away from the bleak appearance and poor design of past shopping centre disasters such as the Tricorn in Portsmouth or the Elephant & Castle in London. Lodged in the vaults of the dock, which was originally built by Napoleonic prisoners of war as a centre for trade in tobacco and brandy, it is imaginative and attractive.

The receivers intend to keep the centre going and its tenants are adamant that it has a future. Mr Martin Kelly, who runs Capstans Restaurant and heads the traders' association feels aggrieved about the press photographs that suggest the place is deserted. "This is not a ghost town," he says.

He thinks that the scheme will attract more tenants, although he does not deny that it has been a slog so far. "Although we are not elated with the situation, we are prepared to sit it out," he says. "We have our best time of year coming up."

Mr Colin Antrobus, the centre manager, says that several new shops have opened in the last couple of weeks. He points out that the receivership was triggered by that of Harry Neal, the contractor, which partially owned the scheme.

A second consequence of the surplus space in the property market is that rents are falling. "Developers and institutional investors will clearly be under intense pressure to let this space and will have to lower rents substantially to achieve this aim," says Mr Richard Hyman of Verdict.

Hillier Parker is expected to show widespread falls in rents for the year to November. Some areas, like the Kings Road in Chelsea, where rents average £150 per sq ft have already lost a quarter of their rental value.

This, inevitably, has a knock-on effect on capital values as institutions are deterred by the poor prospects for rental growth.

It is a bleak backdrop to the sale of the Burton properties. The company is trying to sell a complete portfolio of five shopping centres, 12 other retail projects, 14 commercial projects, 14 commercial projects and six projects in the US, although analysts think it may have to complete the developments and let and sell them piecemeal.

The problem of surplus space prompted the question "Who is to blame?" at this year's shopping centre conference in Dublin. The culprits were deemed to be the government, for their credit and planning policies, the surveyors for their poor research, the retailers, for their break-neck expansion policies and the City for egging them on.

None the less, the retailers do not deserve to be damned equally. Burtons came unstuck as a result of its aggressive profit targets and inadequate financial controls. Next sold a large chunk of its retail portfolio, which is the subject of a £49m write-down, earlier this month. Both companies wanted to concentrate on their core activity.

Other retailers, however, have managed to make successes of their property arms. For example, Dixons, which set up its property company 15 years ago, has kept its property profits moving upwards (to £20.6m last year) as a result of a timely diversification into continental Europe. Other stores such as Kingfisher and Boots are building up their property arms, in an effort to exploit their property assets. In better times, retailers can justifiably argue that the capital hungry nature of property complements the cash generative nature of retailing.

More generally, the outlook is not uniformly depressed, as supply and demand show strong variations in different regions. According to the Investment Property Databank, Wales and London appear to offer the best combination of moderate to strong demand with supply which is turning downward. Scotland, in contrast, offers the worst combination of moderate demand and massive increase in supply. Where retail parks are concerned, some areas have yet to satisfy consumer demand, according to a survey published by Chestertons this week.

Furthermore, the retail property market can console itself with the thought that it has been in this position before. In the view of Mr Mark Teale of Hillier Parker, conditions are rather less bad than they were in the mid-1970s when an even greater amount of space – commissioned in the early 1970s boom – came on stream.

In addition, retail specialists can argue that as the first sector to feel the squeeze, it may also be the first to recover. Of all the property sectors, retail should prove the most responsive to a reduction in interest rates.

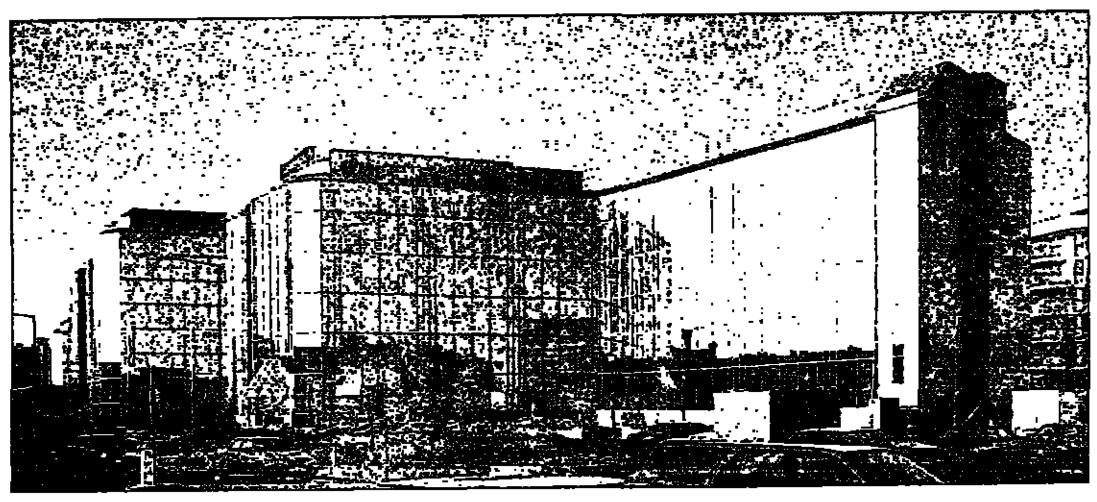

Trevor Humphries

Tobacco Dock: "It did not attract sufficient tenants to produce the income to service its overheads"

TOTAL RETURNS (%)

	Retail	Office	Industrial	All Properties
Year to Sept '90	-5.9	-3.4	2.1	-3.5
Quarter to Sept '90	-2.4	-3.9	-1.8	-2.9
Month of Sept '90	-0.4	-1.0	-0.3	-0.6

Source: Investment Property Databank



ARTS

Arts Week

F	Sa	Su	M	Tu	W	Th
23	24	25	26	27	28	29

THEATRE

London

Aspects of Love (Prince of Wales). Andrew Lloyd Webber's latest is an intimate chamber operetta derived from David Garnett's 1955 novella. Musically interesting and well directed by Trevor Nunn. A probable, but unspectacular, hit (839 5972).
Absurd Person Singular (Whitehall). Revival of early Ayckbourn comedy, directed by the master himself, about three couples at Christmas in three kitchens over three years. Moira Redmond, Richard Kane and Lavinia Bertram on fine form in a production which confirms Ayckbourn's early bleakness (071 867 1119). Extended until January
Man of the Moment (Globe). Nigel Planer and Gareth Hunt in another Alan Ayckbourn play, this time about media manipulation (437 3667)
Into The Woods (Phoenix) Julia Mckenzie shines as the witch in Stephen Sondheim's compendium of fairy tales. The title song is more memorable than a storyline that descends into recrimination and chaos as the characters' dreams turn sour. (867 1004)
Cats (New London). The formula of T.S Eliott words, Lloyd Webber music and feline dance has made this Britain's longest running musical (405 0072)

Madrid

Les Liaisons Dangereuses (Teatro Albeniz). The Royal Shakespeare Company will be performing Christopher Hampton' s play based on the Laclos' novel of seduction, intrigue and revenge set in pre-revolutionary France, directed by David Leveaux, and starring Pip Miller and Emma Piper. Ends November 18 (532 02 00).

New York

Falsettoland (Lucille Lortel). It will be known as the musical about Aids first hitting New York but it goes much further than that, showing the effect on a larger circle of people, who include a boy having a Bar Mitzvah and his parents, all three of them (924 8782).
Grand Hotel (Martin Beck). Tommy Tune, Broadway's present musical doctor, directs this remake of the Garbo film to shake the bones of this inert depiction of lives criss-crossing in an elegant, but somewhat random setting (246 0102).
Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of Eliot's children's poetry set to music is visually startling and feline (239 6262).
Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).
Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this transfer from London (239 6200).
Gypsy (St James). This 30th anniversary production is a reminder of the heyday of the American musical with memorable tune after memorable tune, as well *as a forceful plot about the ambitious* stage mother who encourages her daughter even into burlesque (246 0102).

Chicago

Other People's Money (Royal George). Corporate takeover artist Larry "the Liquidator" Garfinkle is played for all his mischievous worst by Peter Van Wagner in *Jerry Stern's funny* and telling view of contemporary finance, directed here by the star of the off-Broadway production, Kevin Conway (988 9000).
Phantom of the Opera (Auditorium). The midwestern production stars Karen Culliver surrounded by the familiar chandelier and other heavy-duty props in a full-blown staging (902 1919).

Tokyo

Kabuki: Performances at Kabuki-za centre around a name-taking ceremony for the actor Senjaku, who follows in his father's footsteps to become Ganjiro III. Both performances (11am, 4.30pm) are mixed programmes, combining drama, spectacle, song and dance. Earphone guide in English and English-language programme (541 3131).

EXHIBITIONS

London

Royal Academy of Arts. *Monet in the 90s: The Series* Paintings. The long-awaited blockbuster exhibition has sent reviewers scurrying to explain the artist's double vision. Burlington House, Piccadilly (287 9579).

Paris

Carte musées et monuments sold in museums and metro stations enable visitors to avoid queues at 60 museums and monuments, including the Louvre, Musée d'Orsay and Versailles.
Louvre. Recent acquisitions of the Department of Objets *d'Art.136 exhibits of medieval* ivories and goldsmiths' work, of renaissance bronzes, enamels and majolicas and of 18th century furniture, tapestries and porcelain – many of which are royal gifts or royal possessions – have come to enrich and to complete the museum's collections. Hall Napoleon, closed Tues, ends January 21.
Musée Marmottan. Goya. Monet's museum plays host to four cycles of 218 engravings by Goya on loan from the Fundacion Juan Marcha. There are *masterful renderings of bull*fights, of lecherous men ogling young beauties abetted by harridans, there are monsters born from Goya's nightmarish imagination and – quite contemporary in their brutality – scenes of war and repression. 2, rue Louis-Boilly. Closed Mon (42240702).
Galerie Maurice Garnier. Ber*nard Buffet – La Bretagne. In* his unmistakable spiky handwriting, the painter beloved by the Japanese, pays homage to Brittany's ports and beaches. 6, ave Matignon (42256165). Closed Sun, Mon and lunchtimes.
Marmottan's Monets. For lovers of impressionism, the Musée Marmottan is a must. A charming *town house set in* greenery, it houses an important collection of paintings and drawings by Claude Monet and his friends. Monet's love of London is represented by the Houses of Parliament. In the last 20 years of Monet's life, his garden in Giverny became his great inspiration. In glowing colours and *changing* light he painted its Japanese bridge and weeping willows and, above all, time and again the unforgettable Nympheas – waterlilies on still green waters. *Musée Marmottan, 2 rue Louis*-Boilly, closed Mon.
Louvre. Euphronios. Some 60 objects, craters, amphoras and bowls testify to the art of Euphronios, painter and potter *in the 6th century BC in* Athens, in mastering the technique of red figures on black background. Euphronios and his friends of the Pioneers Group bring invention and originality to their representations of mythological subjects and scenes from everyday life. Open all days from 12 am to 10 pm, except Tuesdays. Ends December 31 (40205166).
Haboldt and Co. The newly opened gallery presents in its luxurious setting a selection of old masters from Holland, Germany, France, Belgium and Italy with names as diverse as Ter Borch and Canaletto, Boucher and Tiepolo. 137, rue du Fbg. St Honoré (42895881).
Galerie du Carrousel. 19th century French masters. There are some remarkable small bronzes by Degas and Daumier, there are two or three oils, but the speciality of this small left-bank gallery remain drawings by the Ecole de Barbizon. Precursors of the impressionists, the Barbizon painters discarded both academic conventions and romantic dramatisation in favour of a simple, realistic vision of nature. 11, quai Voltaire (42611075). Closed Sun and Mon.
Grand Palais. Picasso. A portrait of Jacqueline Picasso with her hands crossed round her knees is the symbol and the central point of an exhibition of 47 paintings, two sculptures, 40 drawings, *24 sketchbooks*, 19 ceramics and 247 engravings and lithographs which have come to enrich, in lieu of death duties, the French national collections. The exhibition begins with the blue period and ends with the obsessive erotic works of Picasso's last 10 years. A period whose importance has only recently been recognised. Closed Tue, Wed late closing, ends January 14.

Brussels

Musée d'Ixelles. L'Impressionisme et le Fauvisme en Belgique is a major exhibition of Belgian painting from the 1880s to the 1920s. While several artists followed the lead of French impressionists and German expressionists, others such as Claus, Stobbaerts, Wouters have a distinct and increasingly valued style of their own. The finest show seen in Brussels for some time. *Closed Mondays ends December* 16.
Galerie Isy Brachot. An exhibition to celebrate its 75th anniversary: contemporary paintings.
Palais des Beaux-Arts. 5 million years: The Human Adventure. Man's evolution seen through 200 Paleontological exhibits. Daily ends December 30.

Madrid

Centro de Arte Reina Sofia. After undergoing seven months of major reforms the *centre reopens as Spain' s* "national" contemporary art museum. Memory of the Future: Italian art 1900-1964 is the most comprehensive show organised to date on 20th century art.
Fundacion Juan March. Cars, Andy Warhol's unfinished series of car drawings and paintings, commissioned by Daimler-Benz *on the* centenary of the invention of the automobile, are now on view at the foundation on loan from Daimler-Benz in Stuttgart. Ends January.
Museo Espanol de Arte Contemporaneo. Domestic Scenes. Everyday images of life in Spanish homes seen through the works of a wide range of *top rate artists over a 500-year* period. Starting with old masters such as Zurbaran, Velazquez, Murillo and Goya, through Sorolla and Casas, moving on to Picasso and Dali, and ending with contemporary A. Lopez and Barcelo. Ends December 9.

Barcelona

Museo de arte Moderno. Modernism. A comprehensive show of modernism as "total art". Organised by Olimpiada Cultural, the aim of the exhibition is to show off Barcelona's rich modernist inheritance in all its different aspects: including painting, posters, jewelry, furniture, stained glass, wrought iron and ceramics. An addi*tional suggestion* would be to walk around Barcelona's modernist area in order to admire some of its most important modernist facades. Ends December 20.
*Museo Picasso. Homage to Jac*queline – between 1954 and 1970 Jacqueline Roque was a constant source of inspiration for Pablo Picasso, they married in 1958. The exhibition brings together some 150 works including portraits, paintings, sculptures, prints and pottery, in an important retrospective of the last 20 years of Picasso's artistic life and a homage to his favourite model.

Rome

American Academy: Giovanni Battista Piranesi: 135 engrav*ings of Rome, made around* 1770, the year of Piranesi's first visit to Rome, and the beginning of his long love affair with the city. Recently acquired by the Arthur Ross foundation, this group of engravings includes a remarkable view of the Colosseum, seen from high on the outer wall, the city's grand baroque palaces *seen* from surprising angles and with dramatic light effects which make them almost sinister, and detailed accounts of the four main basilicas of Christian Rome. Ends December 16.

Milan

Castello Sforzesco. The People of the Sun and the Moon:. trea*sures of ancient Peru. Nearly* 500 ceramics, gold objects, textiles and gems, together with a small but precious collection of erotic ceramics of the Moche civilisation, lent by museums in Lima. Ends December 9.

Venice

Palazzo Grassi. From Van Gogh to Picasso – from Kandinsky to Pollock. Opening with Picasso's 1931 Woman with Yellow Hair and closing with Fernand Leger's 1950 Builders with Rope, this exhibition provides a truly delightful canter through modern art from the late 1870s onwards. A large group of works, come from the Peggy Guggenheim collection at the Palazzo Vernier in Venice. Particularly prominent are the surrealists, her particular interest, among which is Max Ernst's fascinating The Antipope. Much of the pleasure of the exhibition comes from its sensitive layout by the *architect*, Gae Aulenti. Ends December 9.

Dresden

Albertinum, Georg-Treu-Platz 1. Some 350 works by 170 artists who were expelled by East Germany during 1949-1989. This presentation aims to explain the difficulties of working under the communist dictatorship. Among the artists are Georg Baselitz, Gotthard Graupner, Bernhard Helliger, Gerhard Richter, Günther Uecker and Rolf Szymanski. Ends December 2.

Frankfurt

Staedel Museum has opened its new extension: 1,300 square metres display of 20th century art ranging from Picasso to Max Beckmann and Amsein Kiefer. For the opening ceremony there are four special exhibitions on the ground floor concentrading on Max Beckmann with works which have only be seen before in Leipzig, the hometown of the painter. Among the other artists are the American sculptors Richard Serra, Amselm Kiefer aswell as sculptures in the garden by Per Kirkeby. Staedel, Schaumainkai 63. Ends January.

Bremen

To commemorate the 100th anniversary of the constructivist painter Walter Drexel a retrospective is being held. He worked as painter, advertising manager and teacher. Ends Jan 13. Kunsthalle am Wall 207.

New York

*Brooklyn Museum. From pas*toral landscapes to moonstruck mature fantasies, this comprehensive exhibit makes the claim for Albert Pinkham Ryder as the first modern American *painter. Ends January* 6.
Metropolitan Museum. Mexican art from pre-Columbian handicrafts to modern murals includes a majestic panorama with more than 300 works covering 30 centuries.

Washington

National Gallery. The 350th anniversary of the death of Anthony Van Dyck is the occasion of this major exhibit of 90 masterpieces borrowed from around the world and mixed with the gallery's own fine collection. *Ends Feb 24.*

Chicago

Art Institute. One of Chicago's most noted conteporary artists returns home when Ed Paschke's *travelling exhibit*, which first appeared at the Pompidou Centre last year, arrives with 47 of the painter's day-glo portraits and landscapes.

Tokyo

Masterpieces of Japanese Art. This selection of 250 major works has been drawn together *to mark the accession* of the new Emperor. It includes rarely seen pieces from the Shosoin Treasurehouse in Nara, the Horyuji Temple, the Imperial Household collection and elsewhere. National Museum. Closed Mondays.
Hara Annual 10. Since its establishment 10 years ago, this museum has held an annual *show* of young and emerging Japanese artists: an opportunity to observe new developments and directions in Japanese art. Hara Museum.
Treasures of the British Museum. Highlights from the civilizations of Mesopotamia, ancient Egypt and Greece, India, Meso-America and Polynesia. Setagaya Museum. Closed *Mondays*.

OPERA AND BALLET

London

Royal Opera, Covent Garden. A new production by Adolf Dresen of *Fidelio* is conducted by Christoph von Dohnanyi, and has Gabriela Benackova, Jan Blinkhof, Monte Pederson and Robert Lloyd in leading roles.
English National Opera, Coliseum. *Cosi fan tutte*, in John Cox's stylish 1980 production, returns with a new cast, led by Rita Cullis and Glenn Winslade, and Peter Robinson as conductor.

Paris

Bastille Opera. The season opens with Verdi's *Otello* conducted by Myung-Whun Chung with Placido Domingo in the title role *for the first five performances* and with Renato Bruson as Iago and Kallen Esperian as Desdemona (40011616).
Opéra Palais Garnier. *L'histoire de Manon* to Massenet's music *rearranged by Leighton Lucas* in Kenneth Macmillan's choreography with Nicholas Georgiadis decors and costumes, conducted by Barry Wordsworth (47425750).
Théâtre des Champs Elysées.

Brussels

Palais des Beaux-Arts. The Ballet Fiesta Flamenca de Andalucia perform *Raices de Andalucia*, choreography by Leo Molina.

Antwerp

Koninklijke Vlaamse Opera. The Royal Flanders Opera in Verdi's *Macbeth*. Rudolf Werthen conductor, staging by Gilbert Deflo with Josephine Barstow, Pablo Elvira, Gabor Andrasy.

Berlin

Opera. *Das Rheingold* and *Die Walküre* are part of the successful Götz Friedrich Ring cycle with a strong cast expertly conducted by Heinrich Hollreiser.

Hamburg

Opera. *Hänsel und Gretel* returns with Elisabeth Steiner and Gabriele Roesmanith in the title roles. *Die Hochzeit des Figaro* has fine interpretations by Charlotte Margiono, Hellen Kwon, Ning Liang, Lucio Gallo and Alan Titus.

Cologne

Opera. *La Finta Giardiniera* is a well done repertoire performance. *Götterdämmerung*, part of the new ring cycle in a co-production with the Düsseldorf opera, produced by Kurt Horres and conducted by Hans Wallat.

Frankfurt

Opera. *Ariadne auf Naxos* has Helena Doese, brilliant in the title role. *Der fliegende Holländer* returns with a strong cast led by Knud Skram, Lisbeth Balslev, Seppo Ruohonen and Uwe Peper.

Munich

Opera. *Die ägyptische Helena* stars Gwyneth Jones and Spas Wenkoff. *Nabucco* is sung by Julia Varady, Daphne Evangelatos, Wolfgang Brendel and Paata Burchuladze.

New York

Metropolitan Opera. James Conlon conducts *Salome* with Hildegard Behrens, Helga Dernesch and Peter Kazaras in Nikolaus Lehnhoff's production. (362 6000).

Chicago

Lyric Opera. Leo Nucci has the title role of *Rigoletto* in Sandro Sequi's production conducted by John Fiore.
Civic Opera House (332 2244).

ARTS

Marie McLaughlin, Robert Lloyd and Gabriela Benacková

Alastair Muir

Fidelio

COVENT GARDEN

Replacing the last Royal Opera *Fidelio* in some haste, Adolf Dresen's new production (shared with the Brussels opera) has been carefully billed in advance as "traditional" – *i.e.* not likely to tread roughly on anybody's sensibilities. Indeed it isn't, as we discovered on Wednesday. Margit Bardy's prison settings, natural-ish and practical, are not Expressionist at all, and one would predict a long, safe stage-life for them if the stage-flats were not visibly peeling already.

As a *producer*, in the sense getting the actors to move about in expressively pointful ways, Dresen shows his hand nowhere; but he has a nice ear for stage-sounds – noisy prison routines going on just out of sight, a touch of deep electronic echo when Leonora and Rocco first speak in the dungeon, the gravelly crunch of their spades as they dig Florestan's grave. Nothing contradicts the details of the libretto, nor does anything elaborate them. The action is faintly updated, to a point when there are battery-torches in use and the Minister can arrive in a top hat, but that is all.

Otherwise the actors are left pretty much to get on with their own things. As the jailer Rocco, Robert Lloyd is assigned some unfamiliar lines that establish him as a cripple, so he limps about in kindly passivity – though he can also climb up and down the full height of the stage on a precipitous metal ladder. To a familiar problem of her risky "Fidelio" guise, Gabriele Benacková's Leonora faces up like a woman. When poor Marzelline discovers that her affianced "Fidelio" is a married woman, Marie McLaughlin is left to improvise a little free-hand bemusement.

This is the reticent sort of production that waits upon the music to bring it to life. Eventually that happened, this time: in Act 2, Josef Protschka's Florestan was sufficiently heartfelt, eloquent and stylish to fix a dramatic situation that could expand – which it did, to satisfying effect. It was a relief when Miss Benacková cast off her disguise, which from the start had suggested "Cell Block H" (an Australian TV women's-prison serial, as fastidious readers may not know) but never a daring, life-edge masquerade. She is too much of a cuddly pudding for that, and though the voice sounds lovely in Beethoven's grand phrases it doesn't boast the essential glint of steel in the toughest places.

Earlier Miss McLaughlin had been charming, and Neill Archer as her unhappy lover Jacquino made an excellent mark – neither wimpish nor petulant, just a decent, baffled young chap. The American baritone Monte Pederson preened and gloated as evil Don Pizarro to vivid effect, but without the backing of any fierce, regimented threat: this prison seemed too liberal a place to permit that, and in fact one never felt that Leonora's quest invited any real danger. As a result, much of Act 1 seemed a harmless charade – though Lynton Atkinson and Mark Beesley invested the First and Second Prisoners with well-stressed character.

One expected a tighter grip on the music-drama from Christoph von Dohnányi. Later performances should have it; but on this first night on Wednesday the orchestral ensemble was often loose, and dramatic junctures were therefore left under-defined. There were, of course, some passages that struck to the heart. No doubt it will all get pulled together for the remaining evenings. I think there is room for much more visible character still, and correspondingly more tension allotted to the principal roles: a consciously "traditional" production should give no less than that to its honest leads.

David Murray

Hamlet

LYRIC THEATRE, HAMMERSMITH

It is hard to believe that any production of *Hamlet* can be wholly bad; but if you play it without style, you are going a long way in that direction. That is what is principally wrong with the Cheek by Jowl version currently showing at the Lyric, Hammersmith.

By style I mean the costumes, the sets, the hair-dos, the make-up and even the physical movements. You also need a touch of sensuality and intellectual finesse, not just lust and sneering. This is, after all, the court of Denmark, a country rich in wealth and intellectually renascent. Claudius may be a corrupt king, but there is no reason to believe that he is not interested in the trappings of power as well as the substance. He is not a bad diplomatist and deals professionally with the threat from Norway.

You would expect all this to be reflected in the court: a splash of colour, clothes from the then equivalent of Paris, something to match the extravagance of the jewel that Claudius throws in the final, fatal cup. Yet if you play almost everything in shades of grey, down to a grey-black backdrop, all that is lost. Hamlet, the man, is supposed to be reacting to the ostentation as well as the murder of his father. If everyone dresses as badly as he does in his grief, he is deprived of one of the reasons for his complaint, and we are deprived of spectacle.

The only splash of colour in this production is – for no clear reason – the bright blue cloak worn by Fortinbras. Gertrude is dowdy; Ophelia before she goes mad looks and behaves that one of the little maids from school. Claudius in the first half appears to have a nervous speech defect, which may be a clever idea, except that it disappears in the second, again for no clear reason.

So this is a severely handicapped *Hamlet*, largely from self-inflicted wounds. There is something else wrong with it. Timothy Walker's Hamlet is altogether too mad. True, the text allows for a genuine as well as a feigned insanity. But this is the madness of King Lear, not of a well-educated, gifted and physically agile young prince. Walker's interpretation is also unnecessarily crude. He blows a series of raspberries at Polonius rather than just teasing him. He spits a lot and is more a spoiled little boy than a figure to be admired. Although much of his performance is quiet, for contrast he shouts the wrong lines, like "Where be your jibes now?" in the graveyard scene.

There are compensations. The best performance comes from Peter Needham as Polonius. One noticed in the Romanian production of *Hamlet* at the National Theatre a few weeks ago what a good part Polonius is in modern times. He is no longer the old bumbler, but a cunning courtier, acutely aware of class differences and with ambitions of his own.

Needham's Polonius is plainly bent on his daughter marrying into the royal family. He makes every line and every gesture count: watch his face even when it is not his turn to speak. The same actor doubles as the first gravedigger, and thus Needham is the second as well as the first main compensation in the production.

As I say, it is hard to imagine that any production of Hamlet can be wholly bad. It is just that this one is a close run thing. The direction is by Declan Donnellan and the play runs at Hammersmith until December 15 before moving on to Greece and Hong Kong.

Malcolm Rutherford

A forgotten master

Patricia Morison on Simon Vouet

Four centuries after his birth, it seems strange indeed that only now has an exhibition been mounted of one of the great names in the annals of French painting. *Simon Vouet* runs at the Grand Palais in Paris until February 11.

Vouet was the master painter at the court of Marie de Medici and Louis XIII. He reared a nursery of geniuses, among them Le Sueur, Le Brun, and Le Notre. How is it that Vouet himself, master of satin-smooth flesh and dazzling colour-harmonies, has waited so long for his hour? "We have to judge the lion by its shadow", proclaims the catalogue, a work of impassioned advocacy. As much as four-fifths of Vouet's paintings have been lost. Much was destroyed at the French Revolution, but even before that, major works had been removed from the palaces of Paris. Soon after his death, taste swung against Vouet and the wind has blown steadily from that quarter.

Vouet was the precocious son of an obscure Parisian painter. In his teens he was taken to Constantinople to paint the Sultan, but his first known work is a "Holy Family with Saint Catherine" in the Prado, painted soon after his arrival in Rome. Its sombre tones show how the young painter soaked up Caravaggio's legacy. We still see it in the remarkable nocturnal scene, painted several years later for the Alaleoni chapel in Rome, of St Francis recoiling from a beautiful Saracen lady in a fur coat.

Vouet's star rose under Urban VIII, and he was the first foreigner asked to paint an altarpiece for the new St Peter's. As he travelled widely to execute important commissions at Loretto, Naples, Venice and Genoa, we see his style changing rapidly. He married his talented pupil, Virginia who is said, somewhat sentimentally, to be the model for the ideal Vouet woman with her receding brow and upturned nose.

When Vouet went to Paris in 1627, it was to rule as the supreme master of French painting and from his base-camp in the Grand Gallery of the Louvre, he directed a cohort of painters, engravers, and tapestry-weavers, which sets scholars all the usual problems of disentangling master from helper.

One would have to be feeling pretty dour not to enjoy such deliciously decorative mythologies as "Europa and the Bull" in which Jupiter in bovine disguise licks his muzzle as he contemplates the treat in store. However, none of these French paintings has the gaiety of the Prado's "Time Conquered by Hope and Beauty", Vouet's farewell to Italy. In this Bacchanale under an azure sky Beauty is a naked hoyden, grinning at us before she plunges her spear into the old man lying at her feet.

The version from Bourges painted a few years before Vouet's death is a piece of rococo froth. This time the female tormentors billow above Saturn and tug his wings, weightless beings who pack no sort of punch. The old man merely plucks at the air, like so many Vouet figures who gesture as if they were playing the harp. The magisterial catalogue hails this as a masterpiece of "powerful lyricism", superior to the earlier, in comparison almost earthy, romp. In fact, I found myself rarely able to agree with all the claims for Vouet as a well-rounded genius.

To be sure, his religious paintings are refined and pretty, with figures arrayed in lustrous swathes of yellow, blue and a marvellous carmine pink. But to claim any deep feeling in them seems perverse. In his two "Assumptions", the apostles gasp and gesture as the Virgin powers her way towards the empty golden reaches of heaven. But think of the joy and amazement of Titian's apostles in the Frari, and you see the difference.

A "Crucifixion" painted for Louis XIII's long-serving Chancellor is awesomely vapid. The Virgin Mary has fainted dead away so her grey pallor contrasts prettily with pink and blue robes. St Mary Magdalen curtsies towards the Saviour, but are we really witnesses to her "intense spiritual dialogue"? No one weeps but then, Vouet's world is not a vale of tears.

★

You will drink your fill of tears across the road at the Petit Palais where *Les Vanités* (until 20 January), explores 17th-century devotional imagery of death and the transience of life. Virtually the whole gallimaufry of Vanitas symbols is here, in paintings good and not so good, far from all of them gloomy. The guttering candle warns us that we will snuff it, the caterpillar expresses our hope one day to sprout wings. An astonishing still life of dead birds recently attributed to the young Caravaggio contains only one living thing: a little owl, Death's companion. Skulls are everywhere, fingered by sitters in their portraits, decorated by the Dutch with tea-roses and peonies.

The good Christian draws comfort from contemplating the great penitents. Zurbaran's "St Francis" from the National Gallery holds a skull in his hand as he conducts his dialogue with God. From a private collection comes a beautiful St Jerome by lamplight, thought to be by Artus Wolffart. Dozens of Magdalenes range from severe and well-wrapped by Philippe de Champaigne, to meltingly voluptuous by the Bolognese heroine, Elisabetta Sirani.

No image was too macabre to stiffen the sinews of the Christian conscience. Juan Valdés Leal painted the decapitated head of St Catherine of Alexandria resting on her wheel, but still more gruesome are the severed heads of Saints Peter and (possibly) St Paul, by an unknown Northern painter. This exceptional show is a worthy tribute to the art historian André Chastel who died this year.

★

After this 17th-Century bonfire of the vanities, it may well be that you will feel like cooling off at *Baroque Rome from Maratti to Piranese*, a major exhibition of drawings at the Louvre (until 18 February). It holds many pleasures, ethereal and earthy, such as the enchanting 18th-Century caricature by Pier Leone Ghezzi of the Friar Giacomo about to consume a plate of sausages from his portable stove.

Jupiter licks his muzzle: 'Europa and the Bull' by Vouet

Le Bourgeois Gentilhomme

QUEEN ELIZABETH HALL

It is often forgotten that the original *Bourgeois Gentilhomme* (1670) was a *comedie-ballet*, with music by Lully. It remains a play that welcomes incidental music. The most distinguished modern example is that by Richard Strauss, who in 1911 collaborated with Hugo von Hofmannsthal and Max Reinhardt on a German production of the play, in which Molière's five acts were reduced to two and whose characters watched not Molière's Turkish masquerade but a full performance of the Strauss-Hofmannsthal opera *Ariadne auf Naxos*. When this failed, Strauss and Hofmannsthal revised *Ariadne* as the independent opera (1916) we see today, and in 1918 produced, with Reinhardt, their *Bourgeois Gentilhomme*. Meanwhile in England Somerset Maugham and Herbert Tree in 1911 had been collaborating on an English version of Molière's play (with Tree as Jourdain), which they postponed till 1913 and amended to incorporate the Strauss-Hofmannsthal version (complete with *Ariadne*). Result? Another failure.

Now, however, we have a further version, directed by Julian Hope, which combines Maugham's original version of Molière with the 1918 Strauss-Hofmannsthal dramatic scheme. It was given a concert performance on Wednesday by a distinguished cast of actors, the conductor Jane Glover and the London Mozart Players. This included, at 6.45, the world première of Maugham's 1911 prologue, which features Molière himself, Louis XIV and other characters but which I was obliged to miss. The main performance, which lasted two hours and a quarter with interval, was delicious; I hope it will be soon recorded.

Strauss, it emerges, was an ideal composer of incidental music. The score – often like parts of *Rosenkavalier* – gives light, urbane, orchestral support to stage action, and threads suavely in and out of dialogue. And it works beautifully in chamber conditions, with particularly witty, elegant writing for several solo instruments. How strange: I have problems with much of Strauss's operatic music – including, indeed, *parts of Ariadne* – and am almost guilty about the passages to which I'm susceptible, but here, where his music is working on a different scale, I find myself charmed and entertained all evening.

Praise first of all to Jane Glover and the London Mozart Players. *Matthew Passion*They caught this music's polish, its buoyancy, its glancing humour. Strauss became great company; he bubbled and bounced. These qualities were caught by the team of players, reading their parts. (Only Wendy Verco, as one of the two female singers, let things down, with her slow tremolo and inelegant attack.) Maugham's translation is lively and idiomatic. Paul Eddington caught Jourdain's humourless bourgeois silliness to perfection – natural in his sudden asides to the audience. How studiously he learnt his vowels from the master of Philosophy, how wonderfully unseductive he was in his flirtations, and how blissfully indignant with his wife: "You impertinent woman, how dare you speak like that to a Mamamoochi?"

As the servant Nicole, bursting into the action and at once stopping, overcome with mirth at her master's fancy clothes, Nichola McAuliffe was so robust, so irreverent, so hearty that her laughter became the highlight of the whole evening. Further comic mastery shone from Janet Suzman's dry, aristocratic Dorimene, Annette Crosbie's brusque, warm Madame Jourdain, and everyone else – including Niamh Cusack, Henry Herford, Peter Eyre, Allan Corduner, Michael Maloney and John Wells. Molière's play became life-enhancing.

How relieved I am that the late Ayatollah seems never to have discovered the mumbo-jumbo Molière & Co. provided for the Turkish masquerade. Had he attended Wednesday's performance, however, he might well have been happily distracted by Eddington's not very furtive edging up to Suzman – all in character – and the torrent of fatuous kisses he planted on her hand and arm. The cast and orchestra took as obvious delight in each other's work as we, the audience, did. I repeat, this English *Bourgeois Gentilhomme* should be recorded. But best of all was seeing it too.

Alastair Macaulay

BBC Symphony Orchestra

FESTIVAL HALL

In 1975 Pierre Boulez conducted Stravinsky's *The Nightingale* in his final concert as the BBC Symphony Orchestra's chief conductor, and on Wednesday night it made up the second half of his contribution to the orchestra's 60th anniversary season: a glittering, scrupulous performance.

Yet the opera remains as problematic in the concert hall as it is on stage; the dislocations of its idiom, touching on Skryabin on the first act and moving farther and farther into the post-*Rite* world thereafter, can be rationalised in terms of the narrative, but the most careful pacing cannot disguise the dramatic short change of the ending.

Boulez naturally responded more vividly to the later music, bringing out its harmonic pungency, its rhythmic darts and dives, its sudden shafts of *chinoiserie* but he unfailingly provided a limpid, perfectly focused backdrop for the singers. Phyllis Bryn-Julson was the Nightingale, like the conductor more at home in the more chromatic melismas of the second act than the Rimsky-like vocalise of the first, Ian Caley was a clear-toned Fisherman, Neil Howlett the Emperor. John Tomlinson, Felicity Palmer and Elizabeth Laurence, no less, took the smaller roles.

Boulez had begun with Debussy's *Images*. When a younger generation of Debussy conductors seems more self-consciously persuasive, it was good to be reminded of the virtues of his more objective approach, for which rhythmic clarity and melodic directness remain pre-requisites. The performance was spell-binding.

★

On Tuesday the second of the Israel Philharmonic's concerts in the Barbican included, alongside as lethargic and unstylish account of Mozart's Prague Symphony from Zubin Mehta as one could hope not to hear, Itzhak Perlman on his most persuasive form in a pair of violin concertos. One was Chaikovsky's, the other Paul Ben-Haim's, a lightweight and thoroughly unpretentious piece, close to Bartók in melodic style and to 19th-century concertos in its violin figuration. Perlman made it convincing; a less exceptional interpreter might not have been so successful.

Andrew Clements

SALEROOM

Japanese keep glass prices firm

Perhaps not surprisingly Sotheby's failed to sell its Strad yesterday. Christie's had set a record for any musical instrument on Wednesday when it sold the "Mendlessohn", a violin made by Stradivari at the end of his "Golden Period" in 1720, for £902,000.

Sotheby's Strad, the "Dancla", was much earlier, 1702, but had carried a higher estimate. In the event bidding petered out at £620,000. In contrast a violin made around 1705 by Giuseppe Guarneri made £180,000, a record for this member of the famous family, and a Portugese piano of the late 18th century was within estimate at £68,200, a record for an early piano.

Antony Thorncroft

Confident predictions by Jacques Tajan, of Ader Picard Tajan, last September, that the Japanese auction market would stay firm despite the crisis in the Gulf, has been borne out by the results of a two-day sale of Daum, Gallé and Lalique glass.

Tajan, a veteran of sales in Japan, usually holds one or two auctions a year devoted to glassware. The 513 lot sale, held on Tuesday and Wednesday in the Okura Palace hotel in Tokyo with Tajan officiating, was transmitted live by telephone to Paris, where his colleague, Remi Ader, in a room on the first floor of the Eiffel Tower, passed on bids from French buyers who were easily out-done in all but a dozen cases by their Japanese competitors.

The sale netted Yen1.118m (£47.8m) and 37.48 per cent in terms of value was bought in. The great draw for Japanese clients is Daum and Gallé glass – the 210 lots of less spectacular Lalique vases accounted for just over 10 per cent of the total.

Bidding in Tokyo was determined but sober and most hammer prices came close to the high estimate established by Paris expert, Jean-Pierre Camard. Tajan set a world record of Yen180m (£696,180) for a rare urn-shaped Gallé vase of 1900 made of intermingling abstract bands of brown, blue and white glass. The hammer price beat the previous record for a Gallé, established by Christie's in Geneva on November 11, by the equivalent of a few francs.

Competition between bidders sent a dozen prices to twice their estimate or more. Particularly fine were a rare 1900 amber and light-green vase decorated with tadpoles which went for Yen100m (£394,076) and a vase decorated with lilies which sold for Yen22m (£86,697).

Nicholas Powell

ARTS GUIDE

November 23-29

MUSIC

London

London Sinfonietta conducted by Kent Nagano performing Takemitsu, 60th Birthday Concert. Queen Elizabeth Hall (Fri) (928 8800)

Israel Philharmonic Orchestra conducted by Zubin Mehta performing Mozart piano concert and *Sheriff's Revival of the Dead*. Barbican Centre (Sat, Mon) (638 8891)

London Classical Players conducted by Roger Norrington performing Mozart and Beethoven. Queen Elizabeth Hall (Sat) (928 8800)

Vienna Boys Choir directed by Peter Marschik. Royal Festival Hall (Sun) (928 8800)

London Philharmonic Orchestra conducted by Jan Latham-Koenig performing Mendelssohn and Rossini. Royal Festival Hall (Mon) (928 8800)

London Symphony Orchestra conducted by Russell Gloyd performing tributes to Duke Ellington and Count Basie. Barbican Centre. (Tues, Wed) (638 8891)

Royal Philharmonic Orchestra conducted by Gunther Herbig performing Mozart and Bruckner. Royal Festival Hall. (Tue) (928 3002)

Paris

Midori, violin. Paganini, Strauss, Chopin/Milstein, Ravel (Mon). Théâtre des Champs Elysées (47203637).

Orchestre Colonne, the Tchaikovsky choir, the Colonne orchestra choir conducted by Vitaly Kataev. Tchaikovsky (Mon). Salle Pleyel (45638873).

18th Century Orchestra conducted by Frans Brüggen. Beethoven, Mozart, Haydn (Tues). Théâtre des Champs Elysées (47203637).

Ensemble Orchestral de Paris conducted by Mario Venzago, with Augustin Dumay (violin), Gerard Causse (alto). Mozart, Ivan Jevtic, Rossini (Tues). Salle Pleyel (45638873).

Collegium Vocale conducted by Philippe Herreweghe. Bach'scantatas (Wed). Théâtre des Champs Elysées (47203637).

Orchestre de Paris conducted by Kent Nagano, with Saschko Gavriloff (violin). Liszt, Ligeti, Stravinsky (Wed, Thur). Salle Pleyel (45638873).

Antwerp

BRT Philharmonic conducted by Alexander Rahbari with Francois-Joel Thiollier (piano) playing Beethoven, Grieg and Sibelius (Thur). Koningin Elisabethzaal.

Brussels

Monnaie Symphony Orchestra conducted by Emil Tchakarov. Bartok, Debussy and Haydn (Sun). Palais des Beaux-Arts.

RTBF Symphony Orchestra conducted by Andre Vandernoot with Jean-Pierre Wallez (violin). Berlioz, Mozart and Wagner (Fri). Palais des Beaux-Arts.

Anne Sofie von Otter (mezzo-soprano) accompanied by Ralph Gothoni (piano). Brahms, Grieg, Sibelius and von Koch (Sat). Théâtre Royal de la Monnaie.

Gidon Kremer (violin) with Martha Argerich (piano) play Prokofiev's Integral for violin and piano (Tues). Palais des Beaux-Arts.

Berlin

Berlin Philharmonie under James Levine and M. Haimovitz plays Schumann (Sat, Sun). Philharmonie.

Justus Frantz (piano) and the Schleswig Holstein Festival Orchestra under Paolo Olmi with an all Mozart programme (Mon). Philharmonie.

Berlin Philharmonie under Seiji Ozawa and M. Rostropovich (cello). Haydn, Schnittke and Dvořák (Tues, Wed). Philharmonie

Frankfurt

Schleswig Holstein Festival Orchestra and Justus Franz (piano), conducted by Paolo Olmi with an all Mozart Programme (Tues); a Krystian Zimerman Debussy piano recital (Wed); Martha Argerich (piano) and Gidon Kremer (violin) play works by Prokoviev (Thurs).

Cologne

Württemberg Chamber orchestra and James Galway, conducted byJoerg Faerber. With works by Mozart, Haydn and C.P.E.Bach (Tues). Philharmonie.

Bonn's Orchestra, the Philharmonie choir and the Bulgarian Capell Obretenov choir with singers Ara Zampieri, Alexandrina Miltcheva, Giacomo Aragall and Simon Estes, conducted by Dennis Russel Davies. Philharmonie: Verdi's Messa da Requiem (Wed).

Madrid

Ayo-Jimenez Duet (violin, piano). Mozart programme (Tues, Thur 29). Auditorio Nacional de Musica (337 01 00).

Spanish National Orchestra conducted by Walter Weller, with Emile Naoumoff (piano). Mozart, Rimsky-Korsakov (Fri, Sat, Sun). Auditorio Nacional de Musica (337 01 00).

Israeli Philharmonic Orchestra conducted by Zubin Mehta. Mozart, Mahler (Wed). Ben Haim, Bloch, Beethoven (Thur). Auditorio Nacional de Musica (337 01 00).

Barcelona

Orquestra Ciutat de Barcelona conducted by Lleonard Ballada, with Narciso Yepes (guitar) and Jordi Vilaprinyo (piano). Adams, Balada, Foss (Fri, Sat, Sun). *Palau de la Musica Catalana* (268 10 00).

New York

Earl Wild piano recital. Beethoven, Chopin, Liszt (Mon). Carnegie Hall (247 7400).

New York Philharmonic conducted by Charles Dutoit with Jean-Yves Thibaudet (piano). Stravinsky, Szymanowski, Liszt, Debussy (Tue). Charles Dutoit conducting with Cho-Liang Lin (violin). Jacques Hetu, Glazinov, Berlioz (Thur). Avery Fisher Hall, Lincoln Center (874 6770).

McDermott Trio. Schumann, Shostakovich, Mendelssohn (Wed). Kaufmann Hall (415 5450).

Kalichstein-Laredo-Robinson Trio. Zwilich, Haydn, Clarke, Brahms (Thur). Carnegie Hall (247 7400).

Washington

National Symphony conducted by Alessandro Siciliani with William Neil (organ). Saint-Saens, Ravel (Thur). Concert Hall, Kennedy Center (467 4600).

MANAGEMENT

Illness among employees is costing UK companies dear. In the first of three articles on the implications of this trend, **Diane Summers** looks at the benefits of occupational health schemes

An act of faith that can reap rewards

Room after room on the seventh floor of Marks and Spencer's head office building in Baker Street, London, is devoted to employees' health.

The gym, dentist, doctors, nurses, osteopath, physiotherapist and health administrators serve not only the 4,000 occupants of that building, but form the nerve-centre of an occupational health service that extends throughout the M and S retailing empire in the UK and the Irish Republic to 62,000 employees in over 280 stores.

At the 400-acre manufacturing plant in Londonderry, Northern Ireland, of Du Pont, workers taking part in the large US chemical company's worldwide "Health Horizons" scheme can learn how to extend their life expectancy. Computer analysis of lifestyle questionnaires will show employees where to concentrate their efforts; self-help kits and incentives like free tracksuits reinforce resolve.

The Post Office, meanwhile, takes its mobile clinics and health education roadshows to its widely-dispersed workforce of over 200,000. It has pioneered policies, for example, on alcohol and Aids in the workplace, which have been widely copied by other companies.

What drives these organisations to devote such resources to the health of their workforce? Paternalism and philanthropy play their part, particularly where schemes of a high standard are to be found in large and long-established concerns. But an increasing number of employers also takes the view that investing in employees' health yields direct dividends.

At M and S, for example, in the opinion of Dr Doreen Miller, the company's deputy head of health services, there is no doubt that the service cuts down on absenteeism and increases the efficiency of the workforce, as well as demonstrating the organisation's commitment to its staff.

For companies in general, provision on such a scale is not necessary to reap at least a proportion of the rewards in terms of a healthier workforce. According to the Health and Safety Executive, spending of as little as 50p per worker per week on occupational health can yield savings through:

- Reduced labour turnover and increased efficiency because of pre-employment screening, placement and rehabilitation;
- Less absenteeism through sickness and fewer compensation claims as a result of the detection of health hazards and adoption of preventive measures;
- Less waste of employees' work time where on-site treatment is provided;
- Improved general health through the introduction of health promotion and education programmes;
- A better-motivated workforce and higher calibre job applicants through showing concern about the health of workers.

However, when it comes to putting a figure on these savings, UK companies, in contrast to their counterparts in the US, tend to be vague; very little scientifically valid assessment has been carried out on UK occupational health schemes. Spending money on employees' health remains largely an act of faith. While M and S is rigorous in its analysis of the profits to be had from sales per square foot devoted to knickers or pre-packed sandwiches, similar calculations in relation to spending on employee healthcare are seen as inappropriate.

The picture in the US is clearer, principally because of the absence of a National Health Service and greater employer responsibility for paying workers' health insurance bills.

According to Dr David Ashton, author of a recent study of occupational health*, US surveys show that workplace health promotion is a common feature of corporate life, with between a half and two-thirds of organisations offering activities of one kind or another (although comprehensive programmes remain restricted to the larger companies). Independently verified evidence indeed points to reduced sick-leave absence and up to 50 per cent reductions in hospital costs.

It is this last factor which has driven the growth in provision of occupational health schemes in the US. Ashton charts the exponential growth of US healthcare expenditure: in 1960 it cost the US almost \$27bn a year, just over 5 per cent of gross national product; by 1980 the figure was \$247bn and by 1985 it was \$462bn. This year's spending, it is estimated, will be over \$820bn – around 11 per cent of GNP.

Industry bears much of the cost; in 1985, Chrysler, for example, estimated that its health insurance bill added about \$600 to the cost of every car manufactured.

"In such a climate it was inevitable that worksite health promotion programmes would be regarded by many employers as one of the most promising strategies to contain their runaway healthcare costs. Indeed for many of them, this was the sole motivating force," writes Ashton.

The signs are that this trend is developing in the UK, partly because of the increasing provision by employers of private medical insurance.

Nearly 80 per cent of the market for this type of cover is currently shared between two provident companies, Bupa (with about half of the business) and PPP. Aggressive commercial entrants to the field include, for example, Norwich Union, which has been advertising extensively over the past few weeks.

Both Bupa and PPP stress to their corporate clients that, increasingly, health care does not just consist of insurance. While emphasising that a healthier workforce will mean fewer claims (and therefore lower premiums), the insurance companies are taking the opportunity to market the other parts of their business – screening, stress management programmes and occupational health advice.

PPP highlights the incentive for employers to spend on preventive measures; private medical insurance is a popular perk (according to some surveys, it is ahead of the company car, and second only to a pension) and one that cannot easily be withdrawn.

It could be that many an employer will come to regret an open-ended commitment to foot employees' private medical bills – unless, that is, claims can be reduced by corporate healthcare programmes, as has been shown to be possible in the US.

However, a final warning is sounded by Bupa; it is not an entirely straightforward matter to break into the "virtuous circle" of improved health and reduced claims (and, therefore, lower premiums).

George Knight, corporate business manager for Bupa insurance, says there can be no discounting of premiums just because a company operates an occupational health scheme. In fact, quite the reverse: the introduction of a screening programme, for example, will usually *accelerate* claims – at least to begin with.

The Corporate Healthcare Revolution, Kogan Page; Institute of Personnel Management, £30.

The next two articles – on construction accidents and stress – will appear on the employment page.

The function of an occupational health service is to consider both how work affects the employee and how the health of the employee might affect work performance, according to the Faculty of Occupational Medicine of the Royal College of Physicians.

These twin roles, often bound up with legal requirements, will involve monitoring hazards like noise from machinery, work-related stress and toxic materials, as well as advising, for example, on rehabilitation or retirement on health grounds.

Besides fulfilling these traditional functions, a "Corporate Health Service" has a strong role to play in education and prevention, allowing the National Health Service to concentrate on what it does best – treating the sick, argues Dr David Ashton, a proponent of workplace health schemes. Occupational health, he says, can take in "those major determinants of health which are fundamentally related to personal habits and behaviour".

Occupational health

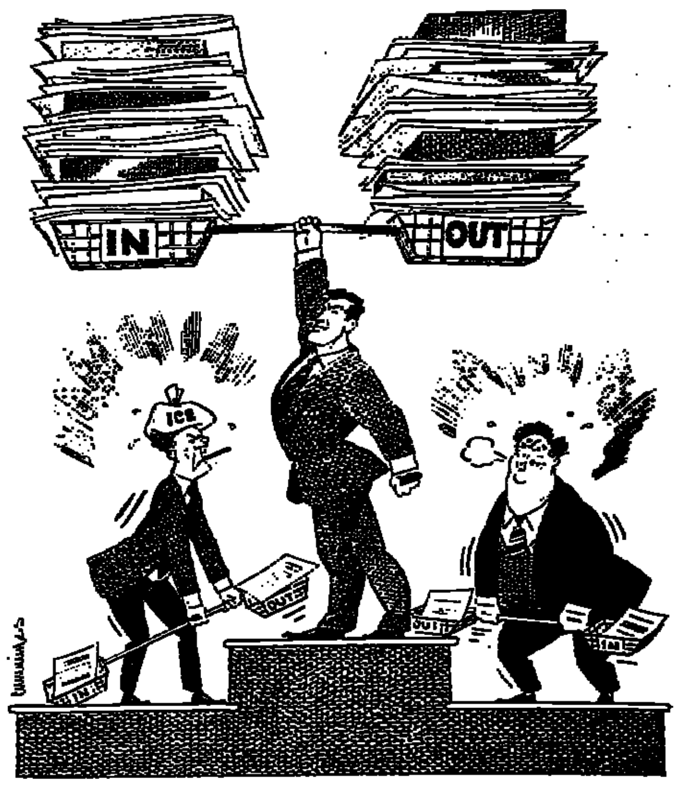
The scale of provision is likely to depend, most of all, on the size of the organisation. The needs of large companies can often be met most economically and effectively by the direct employment of specialists to staff a comprehensive occupational health service, says the Health and Safety Executive.

For small and medium-sized organisations, solutions can include employing a part-time nurse or the services of a visiting doctor, becoming a member of a group occupational health service or using another organisation's scheme.

Private health care groups and insurers can also provide a cost-effective and flexible service. However, some of the more elaborate screening programmes, for example, tests to pick up heart disease, need to be treated with caution, warns Dr Tim Carter, HSE's director of medical services.

"Most of the risk factors related to heart disease can be found out by asking a few simple questions like 'do you smoke?' Doing the other £200-worth of tests doesn't add much more to your ability to prevent heart disease," he says.

If an organisation is genuinely seeking to have the maximum impact on the health of its workforce – rather than using healthcare as an executive perk – it should go for widely-applied, low-cost education programmes, like the Health Education Authority's Look After Your Heart campaign, says Dr Carter. "Certainly don't send your chief executive on a private screening programme and do nothing for everybody else."



When diversification is imprudent

By Christopher Lorenz

Like plenty of service companies since the mid-1980s, and hordes of manufacturers before them, Britain's Prudential Corporation has been decidedly less than prudent. The life insurance giant has spent £230m on a supposedly "synergistic" diversification exercise into estate agency since 1985, only to see it go badly wrong and be forced into an embarrassing and expensive sale.

Since the Pru broke the news on Monday that it was joining the rush "back to basics", *at least for the present*, pundits have argued over the cause of the debacle.

Some have claimed it was mainly a matter of timing; the estate agency business has certainly been very depressed for two years, and will remain so for at least another. But then "strategic" investments like the Pru's are, after all, supposed to be long term.

A different group of critics has pointed to managerial mishandling by the Pru, particularly its attempt to over-centralise the various agency networks it acquired.

More fundamentally, others have questioned the whole strategy of seeing estate agency as a promising distribution outlet for insurance and other financial products such as pensions and savings plans. According to this view, several other UK insurers will live to rue the day they made moves similar to the Pru's.

As with almost every takeover that has ever been made in the name of synergy, the logic of such links is at best unproven. What is certainly clear is that the Pru broke one of the basic rules of acquisition.

More hardened acquirers avoid diversifications that are unrelated to their basic businesses on more than one of the following dimensions: geography; technology; type of product market; and the sort of head office "parenting" style that the new business requires.

As countless studies have shown, unrelatedness on any one of these dimensions is risky enough; to combine two or more is downright dangerous.

Yet the Pru's move into estate agency took it both into an unrelated type of business and into one which required an unfamiliar type of parenting style: hence, in part, its mistake of trying to over-centralise its agencies.

Many other service companies have made similar errors to the Pru's; Saatchi & Saatchi's mishandling of the parenting of its management consultancy acquisitions – a very different proposition from that of its advertising core – is merely the tip of an iceberg.

In manufacturing, more companies seem to have learnt, from bitter past experience, the importance of only taking on acquisitions which require a parenting style with which they are familiar. Reckless exceptions include the recent diversification by Daimler-Benz into defence equipment and domestic appliances, which may yet come to haunt it.

In other respects, however, some manufacturers continue to risk unrelatedness in more than one respect. Northern Telecom's current acquisition of STC, the UK telecommunications company, not only constitutes its first major European thrust in a geographic sense, but also takes it into a new product market; Nortel is basically a switching equipment company, while STC specialises in transmission. (This unrelatedness has caused several analysts to speculate that Nortel's investment will not be long term.)

The pros and cons of diversification along more than one dimension need to be debated with care in western board rooms over the coming months. For all the continued talk of "back to basics", two factors are now driving companies to diversify again – the onset of recession, and the globalisation of industries.

In the short term, recession will again expose cash-rich companies to the temptation of diversification-through-acquisition at knockdown prices.

The sensible company will limit the dimensions of risk by diversifying overseas in a core business.

But no one should be under any illusion that such diversification is easy. Plenty of European and US companies have found that geography can be the most risky diversification dimension of all.

FT LAW REPORTS

Convention award is binding in UK

ROSSEEL NV v ORIENTAL SHIPPING (UK) LTD
Queen's Bench Division (Commercial Court):
Mr Justice Steyn:
November 16 1990

AGREEMENT BETWEEN parties to arbitration before publication of the award, that any proceedings to confirm or vacate the award will be brought in the US, does not detract from the binding nature of the award on publication and is therefore ineffective to prevent its enforcement in the UK under the New York Convention. Also, the presence of assets in the UK is not a prerequisite to enforcement, and proceedings may be served on a foreign defendant out of the jurisdiction though there is no jurisdictional connection with the UK other than reciprocal treaty obligations.

Mr Justice Steyn so held when granting leave to the plaintiff, Rosseel NV, to enforce an arbitration award published in New York under the rules of the American Arbitration Association, against the defendants Oriental Commercial Shipping (UK) Ltd and others.

HIS LORDSHIP said that in 1984 Rosseel, a Belgian company, bought from Oriental 226,000 barrels of fuel oil at $126.50 per metric ton f.o.b. The contract was subject to New York law and contained a New York City arbitration clause.

The contract was not performed.

In 1985 Rosseel commenced arbitration proceedings in New York against Oriental. Litigation commenced in New York as to the parties to the contract and arbitration agreement. The US court found that the second defendant, Mr A.H. Bokhari, a Saudi Arabian citizen, and the third defendant, a Saudi Arabian corporation, were parties.

Arbitration hearings took place on January 26 and May 7 and 8 1990. The issue was whether Rosseel was entitled to recover damages for breach of contract. The arbitrators found in its favour on liability, and made an award of $4.26m.

In the present proceedings Rosseel applied by originating summons for leave pursuant to section 3 of the Arbitration Act 1975, to enforce the New York arbitration award against the second and third defendants. The defendants sought an order setting aside service of the originating summons out of the jurisdiction, on the ground that Rosseel was not entitled to enforce the award, or alternatively, that as a matter of discretion, leave ought not to be granted.

The first issue related to the impact on the enforceability of the award of two joint stipulations entered into by the parties in US legal proceedings and, by consent, made orders of court.

Those joint stipulations predated publication of the award. The first stipulated that "the parties agree that any proceedings to confirm or vacate the arbitration award" would be brought in the US District Court, Southern District New York. The second was in similar terms.

The question was whether the parties had by agreement varied the ordinary rule that an arbitration award was "binding" immediately on publication and continued to bind the parties unless set aside or suspended by a competent judicial authority.

The defendants asserted that there was such an agreement. Rosseel denied it.

It was common ground that the award was a "Convention award" within the meaning of the 1975 Act, which enacted the New York Arbitration Convention 1958 in the UK.

Section 5(2) of the Act provided that enforcement of a Convention award might be refused if the person against whom it was invoked proved "(f) that the award has not yet become binding on the parties". Section 5(3) provided that enforcement might also be refused "if it would be contrary to public policy to enforce the award".

Three features of the scheme of the New York Convention must be noted.

First, the Convention eliminated the "double exequatur" requirements of the earlier Geneva Convention.

Under the Geneva Convention, a party who sought to enforce an award had to prove an exequatur (leave to enforce) issued in the country in which the award was made, and leave to enforce in the country in which he sought enforcement.

The New York Convention abolished the need to obtain leave to enforce in the country where the award was made.

Second, the grounds of refusal set out in section 5 were exhaustive. If none of those grounds were present, the award "shall" be enforced.

Third, the burden rested on a respondent who resisted enforcement to prove the existence of one of the grounds of refusal set out in section 5(2).

That burden must be discharged on a balance of probabilities.

The defendants, who invoked section 5(2)(f), must therefore prove the existence of an agreement which deprived the award of its *prima facie* binding character.

They also contended that it would be contrary to UK public policy to enforce the award, having regard to the fact (which they asserted) that the parties agreed that the award would not be binding until a US court had pronounced on the award. The public policy issue only arose if the defendants had established an agreement containing the terms they put forward.

What the defendants sought to prove was an agreement that Rosseel, if it obtained an award in its favour, would not be entitled to seek enforcement against the foreign defendants abroad without first obtaining a pronouncement of the District Court.

The joint stipulations provided that proceedings to *confirm* the award must be brought in the District Court. There was however, a difference in US law between proceedings for confirmation of an award, and proceedings for enforcement of an award.

One could take confirmation proceedings in the country in which an award was made, without seeking enforcement.

The joint stipulations related to confirmation proceedings. They did not expressly touch the subject of enforcement.

It was submitted that a term must be implied that enforcement proceedings might not be taken abroad by Rosseel until the US court had confirmed the award. Such a stipulation would be an extraordinary one. It involved Rosseel giving up valuable rights under an otherwise binding award for no consideration of substance.

From Rosseel's standpoint, there was no commercial justification for such a stipulation. It was impossible to imply into a provision dealing with proceedings to confirm an award, a provision restricting enforcement abroad.

The defendants sought to rely on the oral discussions which preceded execution of the joint stipulations. Those discussions were unhelpful and inadmissable as an aid to construction of the agreement.

On the evidence, the court was satisfied that the joint stipulations were integrated written agreements intended to supersede whatever was said in oral discussion.

The second issue arose on the defendants' summons. They contended that even if the award was binding and enforceable, leave to serve on the third defendant ought not as a matter of discretion to have been granted because there was no evidence that it had any assets within the jurisdiction.

It was submitted that there was no sufficient jurisdictional connection; and that it was therefore not a proper case for granting leave to serve out of the jurisdiction against the third defendant.

The court disagreed.

The English court was bound by a statute arising from treaty obligations to enforce the award. The presence of assets in the jurisdiction was not a precondition under the statute to enforcement. It ought not be regarded in the exercise of the court's discretion as a prerequisite to the granting of leave to serve out of the jurisdiction.

A contrary view would in effect introduce into the statute, which carefully reflected UK treaty obligations, a precondition which was not to be found in the 1958 New York Convention. The Convention had now entered into force in the laws of some 80 countries. It was the great success story of international commercial arbitration. The court ought to be astute to avoid making an order which would derogate from the efficacy of the New York Convention system and UK treaty obligations as enshrined in the 1975 Act.

Leave to enforce the award was granted.

For Rosseel: Richard Millett (Baker & McKenzie).
For the defendants: Timothy Saloman (Ingledew Brown Bennison & Garrett).

NOTE: In *Midland Bank v Brown Shipley* and *Citibank v Brown Shipley (FT November 20 1990)* appearances were:

For the plaintiff banks: Jonathan Hirst QC (Nabarro Nathanson).
For Brown Shipley: Michael Brindle (Berwin Leighton).

Rachel Davies
Barrister

LETTERS

Banking recipe for more moral hazard, not less

From Mr Jonathan Hoffman.

Sir, According to Peter Norman ("A blueprint that may yet be scribbled on," November 21), the Bundesbank opposes a lender of last resort role for the European Central Bank, arguing that it does not supervise the German banking system. Although the Bundesbank and the Federal Banking Supervisory Office are formally separate, the reality is that Bundesbank agreement must be obtained on those supervisory matters with monetary policy implications.

And one need only go back to the Schröder, Münchmeyer Hengst rescue operation launched in 1983 to see that the Bundesbank is, whether it likes it or not, intimately involved in supervisory questions.

As well as being instrumental in twisting the arms of bank creditors into accepting long-term subordinated debt (the relevant meeting on November 1 was held at the Bundesbank), the Bundesbank gave liquidity to the money market and was a shareholder in the Liquidity Consortium Bank which offset deposit withdrawals from SMH.

More generally to try to separate monetary policy and supervisory decisions, in particular those concerning who should get lender of last resort facilities and at what price, is a recipe for more moral hazard, not less.

A supervisory authority that is not obliged to clean up the mess resulting from a wrong decision is that much more prone to making one. And a central bank which does not have bank licensing powers will be viewed as more likely to orchestrate a bail-out, justified by the need to prevent a questionable supervisory decision resulting in a general banking panic.

Jonathan Hoffman,
senior European economist,
Credit Suisse First Boston,
2a Great Titchfield St. W1

Return to basics of good lending

From Promodh Malhotra.

Sir, That was an excellent editorial on new structures in banking (November 20). Perhaps an additional point needs to be made. Banks fail because their loans go bad and not because they don't have enough capital. Perhaps it is time for bank managements and regulators to ensure that lending officers return to the basics of good lending and are not pressured to achieve fancy financial ratios that appeal to analysts. Banks shares deserve to return to the status of "ho-hum" investments, to the eternal relief of both depositors and taxpayers.

Promodh Malhotra,
3602, Dundee Driveway,
North Chevy Chase,
Maryland, USA

Shareholders' influence on executive pay

From Mr Greg Clark.

Sir, Senior executives should be paid at a level which fully reflects their market worth and through a structure which rewards contributions to their company's success. Identifying what is an appropriate level and structure requires cutting through the rhetoric around the issue. Ministerial exhortations in favour of pay restraint are matched by warnings of an executive brain drain if pay is not internationally competitive. Who is best qualified to evaluate conflicting claims?

Not the non-executive directors which you advocate in your leader (November 16). Indeed they are part of the problem: overlapping non-executive directorships contribute to a "phantom market" in executive pay. Pay is set not after an objective inquiry into appropriate levels and incentives but by the very people who have an interest in higher executive pay generally and according to their own perceptions of what is appropriate.

Industrial minister John Redwood is a recent advocate of shareholders' committees to give institutional investors a more robust influence in the boardroom. The conflicting interests which surround the pay question, and the importance to the company of getting pay and incentives right, make this an ideal area for investors to take an active role.

Greg Clark,
Business Performance Group,
Houghton Street, WC2

Basing information technology strategy on Unisys

From Mr J.G. Goodfellow.

Sir, The European Unisys Users Association has just held its annual meeting in Switzerland. Users from about 40 countries were able to discuss the current situation and the company's strategy for the future with senior Unisys management.

This was before the Unisys third quarter figures were announced, but we were well aware of problems that faced our supplier. The conference debates, both on technical subjects and on Unisys business strategy, were hard and probing. The result is that UUA members feel confident that Unisys is on a firm path to success in the 1990s.

Unlike the speculation of Louise Kehoe ("Unisys twin peaks – losses and debt", November 1), we know economies of scale have been achieved and the company's product lines are now achieving the benefits of the merger in their richness and quality.

The recently announced Unisys Architecture has been well received by independent industry commentators, and, more importantly, by us the users. We are investing in the Unisys Architecture by basing the future of our information technology strategy on it. Contrary to offerings from other vendors, it is based on industry standards, which illustrates the company's commitment to open systems, thus safeguarding our investments as we move to future products.

The prompt cost reduction and debt reduction actions that have been announced in response to the current environment are prudent and essential short-term measures, but Unisys has emphasised that priority will go to customer support and research and development for its core products.

We, the users, perceive Unisys as a company which is committed to providing us with high-quality products and total customer satisfaction.

We expect it to achieve results comparable to those demonstrated in recent research on customer satisfaction in Japan, considered the most demanding market in the world. There Unisys rates No 1, both overall and in 14 out of 17 categories. We accept that market conditions will continue to be difficult, but we are bullish about Unisys, its strategies and its long-term outlook.

J.G. Goodfellow,
president,
Unisys Users Association,
59 High Street,
Skipton,
Yorkshire

Auditing accounts post-Caparo

From Mr Brian R. Disbury.

Sir, As a chartered accountant in industry I found your business law feature ("Accounting for nothing", November 15), most enlightening.

Post-Caparo it appears that "auditors will not in general be held responsible for losses to third parties arising out of negligently audited accounts".

As your feature implied, what value is there in having a full audit? Firms of chartered accountants should now pronounce to their clients why they believe they should charge so much for a statutory audit, especially post-Caparo.

I understand that most large firms of chartered accountants believe the Caparo decision to be unsustainable and they do not wish to be associated with it; accordingly they should do something about it.

If they do nothing about it, perhaps Plc directors should offer a £1,000 fee (plus VAT) for each Plc audit, as such audits obviously have so little value. We might then see the problem resolved without the Caparo nonsense continuing.

Brian R. Disbury FCA,
16, Metchley Park Road,
Edgbaston
Birmingham

Hair-raising queries about Mr Heseltine

From Mrs Michael H. McTaggart.

Sir, Your reporter Ralph Atkins, writing from Paris about Mrs Thatcher on the front page (November 21), tells us: "An appointment had been fixed with her hairdresser."

Will you shortly be supplying similar details about Mr Heseltine?

Mrs Michael H. McTaggart,
2, Lightfoot Grove,
Basingstoke,
Hampshire

Consortium blamed for disarray on air defence

By David White

AN international consortium was blamed in a report published yesterday for the "disarray" of a £619m project for improving the UK's air defence network, which had fallen five years behind schedule and has to satisfy the contract requirements.

The Commons defence committee said the main responsibility for the failure lay with UKSL, owned jointly by Hughes Aircraft of the US, Siemens Plessey Defence Systems and Marconi Radar Systems, part of the GEC group.

The consortium is supplying the computerised command and control system at the heart of the project known as IUKADGE (Improved UK Air Defence Ground Environment), which also includes a series of ground radars. Nato is funding about half the programmes' cost, which is designed to counter any threat from Soviet bombers.

"It is extremely disturbing that a vital programme so long in the planning and preparation should have failed so absolutely its crucial proving-test as to leave the RAF's long-standing operational requirement fundamentally unfulfilled," the report said.

"Irrespective of its origins, it would appear that any failure. . . is largely the responsibility of UKSL."

Under the contract, the consortium and not the ministry of defence would have to bear the financial consequences. But the MoD could not avoid the implications of the delay for its air defence operations.

The ministry was also criticised for being too optimistic about the consortium's ability to fulfil the contract.

Bank governor demands UK flexibility on Europe

By Peter Marsh, Economics Staff

Leigh-Pemberton: seeks contructive role in Emu

BRITAIN must be prepared to give up some national autonomy and to act flexibly in the debate about European economic and monetary union (Emu), Mr Robin Leigh-Pemberton, governor of the Bank of England, said last night.

The governor's speech, coming just hours after Mrs Thatcher announced her intention to resign, is likely to be seen in Europe as indicative of a more positive approach to Emu which many onlookers believe will be shared by the prime minister's successor.

Mr Leigh-Pemberton, giving the English-Speaking Union's annual Churchill lecture at a dinner in London, underlined the need for Britain to take a constructive role in the Emu discussion.

This reaches a climax at an intergovernmental conference in Rome next month when European Community nations will debate the timetable towards full monetary integration, stage two of which is due to begin in 1994.

The governor stressed that Emu had to be looked at in practical terms rather than in the context of a constitutional debate. He said Britain's monetary arrangements as they were affected by links with the rest of Europe "must be viewed as a means of pursuing prosperity, as a means to an end."

On the crucial issue of whether Britain might have to hand over some national powers in the monetary field to a new European central bank, Mr Leigh-Pemberton said that in the area of economic policy Britain had in the past accepted that "it could sometimes be in our interests to give up our capacity to act totally independently."

He added: "The pressures of history and economic realities will force flexibility on us whether we like it or not."

The governor also said Britain should take a more understanding approach to dealing with its European partners. "We should not slip into thinking that a preference elsewhere for institutional blueprints, powerful statements and written constitutions implies rigidity, or an underlying lack of pragmatism."

"We need to be on our guard against pressures in some of our partner countries for a small group to create a single currency area relatively quickly.

"This could all to easily lead to a two-tier Europe, even to an effective narrowing of the Community," said Mr Leigh-Pemberton.

Government to cover Piper Alpha costs

By David Thomas, Resources Editor

Expensive wreckage: the Piper Alpha platform on which 167 platform workers died

THE British government will pay most of the total costs of the Piper Alpha platform disaster through tax relief, a leading oil analyst said yesterday. The North Sea disaster claimed the lives of 167 workers in 1988.

Total tax relief of £1.96bn ($3.84bn) – equivalent to 106p in the £1 – will be available to the Piper Alpha group of companies, centred on Occidental, the platform's operator. The remaining nine-tenths of the cost of the disaster will be borne by the government.

These claims, made by Mr Martin Lovegrove, head of Kleinwort Benson's petroleum department, seem certain to cause a furore.

He calculates that, allowing for insurance costs, the disaster will have cost the Occidental group of companies which owned Piper Alpha £2.02bn by the end of 1992 .

The group is made up of Occidental (36.5 per cent), Texaco (23.5 per cent), LASMO (20 per cent) and Union Texas (20 per cent).

Additional costs comprise deferred oil production (£1.93bn) and an increase in capital costs (£650m).

Mr Lovegrove calculates that these costs are almost matched by savings in payments to the government of petroleum revenue and corporation tax (£1.96bn) and in royalty payments (£180m).

These equate to more than 106p in tax relief on every £1 spent, although Mr Lovegrove stresses that relief will not be as great in the immediate future.

One reason for the high tax savings is that the companies can claw back past petroleum revenue tax liabilities in order to cover spending on the Piper Alpha aftermath.

Mr Lovegrove points out that this tax provision will change from June 1991, when the maximum amount of tax and interest relief available will be 93.75p in the £1.

Occidental said Mr Lovegrove's calculations relate to the period up to 1992 and that the government would receive substantial tax payments from the field after that.

He says Piper Alpha's total cost to the entire North Sea industry could be £3.64bn by the end of 1992, with the government paying 78 per cent.

October current account deficit rises to £1.1bn

By Edward Balls

THE UK current account deficit rose to £1.1bn in October, up by £0.3bn on the previous month, but the underlying deficit showed little change, the Central Statistical Office said yesterday.

The underlying deficit fell by £0.1bn in October compared with September. In the three months to October, the overall current account deficit was £3.1bn compared with £4.9bn in the previous three months. Excluding oil and erratic items it fell by £1.3bn over this period.

October's deficit was slightly above market expectations, because of a higher imports of erratic items, analysts said. The balance of erratic items fell by £0.1bn in October, largely because of increased aircraft imports.

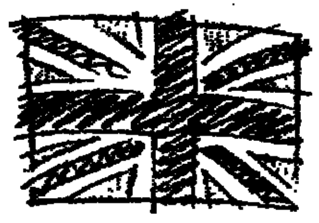
The value of total exports at £8.8bn in October was little changed from September.

Export volume, excluding oil and erratics, remained relatively stable throughout 1990. In the three months to October, volumes were up 1.5 per cent on the previous three months and up 7.5 per cent on the same period last year.

Falling retail sales have taken their toll on import sales. The value of total imports in October was £9.8bn, up 2.6 per cent on the previous month but down 1.2 per cent once oil and erratics are excluded. Import volume, excluding oil and erratics, was down 1.0 per cent in the three months to October compared with the previous three months, but was unchanged compared with the same period last year.

In October the deficit on visible trade was equal to the overall trade balance as, for the fourth consecutive month, the invisible balance was projected to be zero. The figures for trade in invisibles are the items most subject to subsequent revision.

BRITAIN IN BRIEF



Open skies demand at Heathrow

British Midland, the UK's second largest scheduled airline, became the first carrier at London Heathrow to call for the abolition of rules preventing new international and domestic airlines operating at the airport.

Mr Michael Bishop, chairman of the airline which holds the second largest number of runway slots at Heathrow, said new airlines should be able to fly from the airport as long as the government took swift action to increase the number of movements there.

United Airlines, the US carrier, has recently purchased rival Pan Am's facilities and routes at Heathrow, but is prevented under present UK regulations from operating there.

Home loans rise by 12%

Mortgage lending by building societies picked up in October, the month when base rates started to come down.

The monthly report from the Building Societies Association showed actual lending up 12 per cent compared with September at £3.7bn, with new commitments to lend up 17 per cent at £3bn.

Savers also deposited the highest amounts so far this year with receipts rising £136m to £992m.

Mr Mark Boleat, BSA director general, said the inflow was the highest since April 1989 when Abbey National was still a building society. But he doubted that there would be a similarly strong inflow of deposits in November because savers would be withdrawing funds to subscribe to the electricity flotation.

New bid for ITV

MAI, the international services group, became the latest corporate player to reveal that it is planning to bid for a major ITV franchise next year.

The company joins Mr Richard Branson's Virgin group, possibly in association with Westinghouse of the US and Lord Rothermere's Associated, as declared bidders for 10-year franchises to run from the beginning of 1993.

Mr Clive Hollick, managing director of MAI said yesterday that the draft documents from the Independent Television Commission on the new Channel 3 licences made it clear that bidders would be judged on their ability to deliver a high quality, cost effective and profitable service.

No frills for travellers

Business travellers want less frills from airlines and a more consistent service instead, according to a survey of more than 2,000 frequent travellers published yesterday.

The survey, published by the Pickfords Travel agency group, found that most business travellers simply wanted to arrive and depart on schedule and find their luggage waiting for them at the other end.

Lloyds Bank cuts jobs

Lloyds Bank, the smallest of Britain's four largest clearing banks, has shed 2,000 jobs so far this year and is looking at ways of rationalising its branch network.

The bank has told staff unions that the recession is taking its toll and that cost savings need to be made. But it has stressed that Lloyds is better placed than most to weather the recession.

A spokesman said yesterday that the jobs had been shed through attrition rather than redundancy.

Tunnel case

Britain's health and safety executive is to prosecute the companies building the Channel Tunnel rail link to France over the death of a worker.

The case surrounds the April death of the fifth worker to be killed during the building of the tunnel.

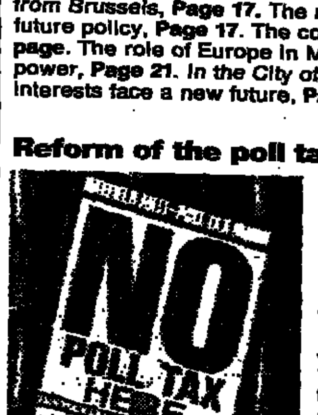
THE THATCHER RESIGNATION

THE ISSUES AHEAD

Europe: the next step comes at Rome summit

The new prime minister's attitude to Europe will be a key factor in Britain's role in European monetary and political union. In mid-December the first inter-governmental conference will meet to set out the agenda for change. The view from Brussels, **Page 17.** The rest of the world considers future policy, **Page 17.** The contenders and Europe, **This page.** The role of Europe in Mrs Thatcher's 11 years in power, **Page 21.** In the City of London those with European interests face a new future, **Page 18.** Lex, **Page 22**

Reform of the poll tax



The most divisive issue of the last Thatcher administration it prompted the worst street riot in Britain within living memory. Reform, either gradual, piecemeal, or wholesale could depend on the result of the leadership race. The contenders economic policies, **Page 18.** Mrs Thatcher and the poll tax, **Page 21.** Heseltine, Hurd and Major: their manifestos. **This page.** The candidates and the poll tax, **Page 18.**

The succession to Mrs Thatcher

Two new contenders now join Mr Heseltine to enter Tuesday's ballot for the leadership in a straight fight for the premiership. If none of the candidates wins 51% there will be a third election, **Page 22.** What the candidates stand for, **This page.** Labour reviews its stance in opposition, **Page 16.** The prime minister predicts a fourth successive general election victory for the Tories, **Page 16.** How Mrs Thatcher lost power, **Page 20.** The candidates chances of taking the Tories to that next victory, **Page 20.** Leader comment, Farewell to a leader, **Page 20.**

Future macro-economic policy

Will the government's policies on inflation, interest rates, and sterling change or are the candidates constrained to the present financial and monetary programme? The candidates, **This page.** Particular issues include independence for the Bank of England, and industrial policy. **Page 18.** The Thatcher economic legacy, **Page 18.** In the City of London many feel the prospects for investment have improved, **Page 19.** Lex, **Page 22**

The conflict in the Gulf

The prime minister has played a key role in worldwide diplomatic efforts to counter the invasion by Iraq of Kuwait. Over more than a decade of international statesmanship Mrs Thatcher has forged personal alliances around the world, **Page 17.** What does the future offer and how will her successor conduct foreign policy? The candidates and foreign affairs, **This page.** Thatcher diplomacy, **Pages 17, 21.**

Industry, business and the trade unions

Even her most ardent opponents would admit that Mrs Thatcher has changed the business ethos of Britain. Will the changes survive ? **Page 18.** Corporate outlook, **Page 19.** The Thatcher years saw a fundamental shift in power away from organised labour. The shift has always, until now, been seen as permanent. **Page 18.**

Golden exit for the Iron Lady

John Major in the public eye yesterday as he makes his way to the House of Commons for Mrs Thatcher's farewell

IT WAS an occasion for Mrs Thatcher to look back in honour.

From the moment she entered the chamber of the House of Commons for the twice weekly slot for prime minister's questions, the afternoon was hers.

As she came in, all the Tory MPs – including Mr Michael Heseltine – rose to their feet and waved their papers in a gesture of admiration, pride and affection.

Speaking at the dispatch box just six hours after her resignation, the prime minister seemed completely at home. It was easy to understand how until the very last minute she had been dismissive of reports that she did not have the support of her MPs.

Though clearly emotional, she seemed composed and at peace with herself. It was a bravura farewell performance from a star on the eve of retirement.

Opposition leaders had no option but to pay tribute both to the dignity with which she had resigned and for her impressive conduct at Westminster yesterday afternoon.

And even a Tory backbench MP who had been outspoken in his demands that Mrs Thatcher should go, spoke of the "great well of affection" for her and "the greatest peacetime political reign of this century."

Mrs Thatcher sounded slightly tearful after Dame Elaine Kellett-Bowman, a Tory backbencher, talked of "the love and affection of millions of people ... who have looked to you over the years with the greatest admiration and delight."

"I am particularly grateful to receive that from you. We were at college together and we have been together ever since," Mrs Thatcher answered.

The charged atmosphere lightened somewhat as one Tory backbencher asked her whether she had considered that the voice of a "great former prime minister could be extremely influential on great issues of state such as our future role in Europe." Labour MPs pointed at Mr Edward Heath, the former Tory prime minister, from whom Mrs Thatcher won the party leadership in 1975 and whose European enthusiasm she has so conspicuously failed to share.

When the censure debate forced by the opposition began, about an hour after questions had finished, the mood was somewhat different, with Mrs Thatcher in combative form.

In a 30-minute speech, she scornfully dismissed the comments of Mr Neil Kinnock, the Labour leader, on the economy and on Europe, saying it was "appalling" that he did not even know what a single currency was.

"I'm enjoying this," she added, getting into her stride on the need for a free market Europe of economic co-operation between nation states, and toying with the idea of being governor of an independent central bank.

She took issue with opposition MPs who complained that the poorest people in Britain had benefited least from her years in government, accusing them of being happy if the poor became poorer just as long as the rich became poorer as well.

Earlier in the afternoon, the events of the last couple of days which led to her resignation had been raised only obliquely. Sir John Stokes, a long-standing and loyal Tory backbench MP, asked her whether she agreed that "the age of chivalry is dead."

It would not be dead, Mrs Thatcher replied graciously, so long as there were MPs like Sir John.

The age of Thatcherism, however, was dead yesterday afternoon, and that led to the remarkable atmosphere. It would have been very different if she had been staying.

Alison Smith

A life in the day of Margaret Thatcher

LESS than a day after declaring, "I fight on, I fight to win", Mrs Margaret Thatcher bowed to the advice of party colleagues and made the stunning announcement that she would be resigning as prime minister as soon as a successor was elected. Here is the countdown leading to her momentous decision.

1.00am: Mrs Thatcher, in the cabinet room at 10 Downing Street, finishes her Commons speech for later in the day after an evening of individual consultations lasting about 10 minutes with most of the members of her cabinet.

She observes that is a "funny old world" in which she has won three elections and has the support of more than half the party but yet her future is in doubt. Several warn her that she would lose a second ballot in the leadership election due next Tuesday. She knows she must make a decision on her future overnight.

7.30am: The prime minister reaches her decision. Officials and Mr Peter Morrison, her parliamentary private secretary, are informed.

8.30am: She prepares for prime minister's questions. Cabinet ministers begin arriving at Downing Street.

9.00am: The cabinet meets. A few already know her intentions. Mrs Thatcher reads her prepared statement. Officials describe her as "very sad".

9.05am: Cabinet turns to other business, including the deployment of British troops in the Gulf.

9.33am: Downing Street announces that Mrs Thatcher has resigned in interests of party unity and a Conservative victory at the next general election. Conservative central office is said to be "devastated".

9.44am: Mr Neil Kinnock, Labour leader, welcomes resignation as "very good" news and calls for immediate general election.

10.00am: City initially reacts favourably. Sterling and FT-SE index both rise.

10.05am: Mr Michael Heseltine praises Mrs Thatcher's "quite remarkable premiership" after hearing of her resignation and welcomes other contenders.

10.15am: Cabinet meeting ends. Ministers leave in silence. Mr Kenneth Clarke, education secretary, says meeting was "highly emotional". Mr Baker describes her decision as "brave and selfless".

Mrs Thatcher starts sending messages around the world, including US president Bush, leaders of the Group of Seven countries, the European Community and Commonwealth.

10.30am: Mr Cranley Onslow, chairman of the 1922 committee of Tory backbenchers, indicates other candidates likely to stand, but refuses to say who.

11.00am: Sir Geoffrey Howe, former deputy prime minister, announces he will not stand.

11.05am: Mr Douglas Hurd, foreign secretary, announces he will stand for leadership. Mr Tom King, defence secretary, and Mr Chris Patten, environment secretary, support his nomination.

Mr John Major, the chancellor of the exchequer, also announces he will stand, nominated by Mr John Gummer, agriculture secretary and Mr Norman Lamont, chief secretary to Treasury.

11.10am: Sir Christopher Prout, leader of the Tory party in the European parliament says Mrs Thatcher transformed Britain in the 1980s, but a new leader is needed for the 1990s.

12.00 noon: Nominations for second ballot close with Mr Heseltine, Mr Hurd and Mr Major confirmed as candidates.

12.45pm: Mrs Thatcher formally informs the Queen.

2.30pm: The prime minister's car sweeps into the House of Commons courtyard to whistles and shouting from crowds.

3.10pm: She enters the Commons chamber. All Tory MPs rise to their feet and cheer.

3.15pm. Questions begin. Mrs Thatcher receives praise from all sides – including respectful comments from Mr Neil Kinnock, Labour leader, and Mr Paddy Ashdown, Liberal Democrat leader.

3.30pm. Mr Tom King, defence secretary, rises to make a statement on reinforcements for British troops in the Gulf.

4.50pm. The prime minister rises to reply to Labour motion of no confidence in the government.

John Mason and Ralph Atkins

The careers of the leadership contenders assessed by FT writers

Heseltine backers bank on head start

CAMPAIGN managers for Mr Michael Heseltine were yesterday rushing to capitalise on his head start in the race for Downing Street claiming that he could win the contest outright with a clear majority in next Tuesday's second ballot.

Hours after Mrs Thatcher's resignation announcement, the Heseltine camp was in the lobbies countering claims he would have difficulty uniting the party.

Frantic efforts were also under way to recruit prominent party figures to the former defence secretary's banner and to include well-known right-wingers.

Initial reports claimed that Mr Heseltine had won pledges from several members of the right-wing 92 Group which had solidly backed Mrs Thatcher in the first round ballot.

Mr David Trippier, environment minister, and Dame Jill Knight, a veteran backbencher, were both believed to be ready to back him. Two former Tory ministers in the House of Lords – Lord Carrington and Lord Rippon of Hexham – were also expected to announce their endorsements.

The biggest catch of the day, however, was said to be Sir Norman Fowler, the former social services secretary who campaigned for Mrs Thatcher. He appeared to offer tacit support by arguing that the best leader would be the one who could win the most votes in the north and Midlands.

With Mrs Thatcher out of the picture, the Heseltine lobby was yesterday heavily projecting its candidate as "a winner" in the eyes of the public.

Sir Neil Macfarlane, one of Mr Heseltine's two nominees, told MPs: "We have got to have someone with Michael's energy and dynamism.

"The opinion polls show he is a force outside parliament and [constituency] associations are coming round to the view that he is a powerful image for Conservative support across Scotland, England and Wales."

While being careful not to disparage Mr Hurd and Mr Major, the message is also being passed around that they must bear the stigma of having been Mrs Thatcher's sponsors and closely associated with her government's failures – particularly on the economy.

Mr Hurd was being characterised as the "Whitehall candidate" – stuffy and out of touch with the general public. Mr Major, on the other hand, was projected as too young, inexperienced and unknown for the country's top job.

Mr Heseltine's supporters argued that he was the only man who had the courage to challenge the prime minister openly.

The principal effort looks set to promote his early commitment to a radical rehaul of the poll tax – probably on an "ability-to-pay" basis – plus the promise of fresh poll evidence that his is the only candidature that can attract vital votes in the Tory marginals.

His team believes that on the economy and on Europe the national electorate has little to choose between the three contenders. However, it privately concedes that his reputation for advocating more vigorous intervention in industrial policy could lose him grounds with MPs on the right.

For these MPs, the canvassers will attempt to emphasise Mr Heseltine's "Thatcherite" credentials through his central role at the beginning of the prime minister's tenure of office. His part in the privatisation of council housing will be stressed.

The Heseltine camp's greatest fear now is that the changed landscape will slow down his drive to the premiership. If there are heavy cabinet endorsements for either one of the two newcomers, these could swing waverers.

However, one right-wing opponent of Mr Heseltine said yesterday: "He is so much the biggest figure out there, the bandwagon may now be unstoppable. He may get it on the second ballot as MPs seek to bring the agony to a rapid end."

It is just that kind of sentiment Mr Heseltine's team is attempting to encourage.

Ivo Dawnay

Quotes of the day

'It's rather a funny old world.'
Margaret Thatcher

'She amounts to more than those who have turned against her in recent days.'
Mr Neil Kinnock, Labour leader

'She has been a strong and courageous prime minister, always sustained by her personal Christian faith.'
Dr Robert Runcie, Archbishop of Canterbury

'It was a typically brave and selfless decision.'
Mr Kenneth Baker, Tory party chairman

'She did something that was an act of treachery, she was bound to reap what she sowed.'
Rev Ian Paisley on Anglo-Irish agreement

'Here she goes, here she goes, here she goes ... She's resigned, thank God.'
Mr Paul Bevan, architect, singing out of his car window in Battersea

'This shows just how ruthless the Tory establishment can be.'
Mr David Clark shadow agriculture minister

'The party in the country are going to be furious because they think the parliamentary party is out of touch.'
Mr Cecil Parkinson transport secretary

Major's campaign team stresses his winning ways

"IT'S THE generation gap" said one supporter of Mr John Major yesterday morning.

"He will get right-wing support without being of the right," said another colleague.

Those two elements – youth, and acceptability to the right of the party – form the basis of Mr Major's campaign.

Just 47 years old, Mr Major is 10 years younger than Mr Michael Heseltine and 13 years younger than Mr Douglas Hurd, the foreign secretary.

Despite his youth, the campaign team is making it clear that he is in the contest, not as a marker for the next time, but to win. Their initial soundings, they say, give them confidence that he will be the highest-polling candidate in the second ballot next Tuesday.

Like Mr Hurd, Mr Major is stressing his ability to unite the party. His aides speak of Mr Hurd serving as foreign secretary and deputy prime minister in a Major administration, and there are even hints of Mr Heseltine as party chairman.

Mr Major is expected to win many of his votes from the right wing of the party. But his nomination, by Mr John Gummer, the agriculture minister, is intended to show that Mr Major commands support across the party.

Mr Major's campaign team is closely based on the Treasury, where he has spent most of his ministerial career. His nomination was seconded by Mr Norman Lamont, the chief secretary. Mr Peter Lilley, now the trade secretary and formerly financial secretary, has also publicly supported him.

The other members of the campaign team include Mr Francis Maude, financial secretary, Mr Robert Atkin, sports minister, Mr Graham Bright, Mr Major's parliamentary private secretary, and Mr Michael Stern, another Treasury PPS.

On Europe, Mr Major's colleagues say that he is pragmatic and instinctively more cautious than Mr Hurd, who is seen as having a more pro-European stance.

He has been cautious about the poll tax, referring to its origin as an alternative to a property revaluation, and talking of the changes which have still to be worked through, rather than promising an instant review.

His supporters say his caring side is seen in his time as a social security minister, and there have already been signs from his time at the Treasury that he would be willing to use the tax system to achieve social policy objectives.

The main difficulties in Mr Major's campaign are the charges of inexperience laid against him, and of having such a low public profile that he could not win the next general election for the Tories.

His supporters were quick to point out that three cabinet jobs – albeit in just over three years – give him more cabinet experience than Mrs Thatcher had when she won the leadership in 1975.

Above all, Mr Gummer and Mr Lamont were yesterday emphasising Mr Major's experience of economic portfolios, which the other two candidates do not share.

As for what one MP called the "charisma question", Mr Major's campaign managers say that his profile would be raised by being prime minister.

Nor does his team believe that he will be blamed for his role in Mrs Thatcher's departure, even though a few Thatcher aides said that both Mr Major and Mr Hurd had betrayed the prime minister.

Though Mr Major dislikes political labels, he accepted a description of himself as "economically dry and socially wet." His campaigners believe that is a winning combination.

Alison Smith

Hurd the 'unity candidate' hastens to eat his words

EVEN THE most experienced politicians have to eat their words occasionally.

"By the time there is a vacancy the party will, quite rightly, want someone younger than I am," Mr Douglas Hurd, the foreign secretary, told a television interviewer during the Conservative conference last month.

For once, Mr Hurd – a shrewd, calm and intelligent foreign secretary – has been wrong-footed by his loyalty to the prime minister.

Within hours of Mrs Thatcher's announcement yesterday he stepped forward as a "unity candidate" in the leadership contest, revealing ambitions that friends had, until the past week, denied existed.

His campaign slogan, set out in remarks to the press yesterday, is simply: "Division can spell disaster". He believes he can unite the party and win the next election. Mr Heseltine would be brought back into the cabinet; there would be no change of policy on the gulf; cabinet government would return.

Behind him is an impressive team. His proposer, Mr Tom King, defence secretary, is a cabinet heavyweight. His seconder, Mr Chris Patten, environment secretary, represents a younger generation in the Conservative party.

To help him in the intensive lobbying of backbench Tories over the next four days is Mr Tristan Garel-Jones, a former deputy chief whip and zealous "political fixer". Mr Kenneth Clarke, education secretary, Mr Malcolm Rifkind, Scottish secretary, and Mr William Waldegrave, health secretary, have all supported his candidacy.

Against him is his age – he is 60 – and his image as an upright, old-style Tory patrician with a public school and Cambridge education and a sometimes cold outward appearance.

On television, Mr Hurd is often too subtle or wry for mass appeal. Yet within the Conservative party he is regarded as an astute politician.

He did not have an easy time with Mrs Thatcher. They were not ideological friends; she was always suspicious of the Foreign Office. In his previous incarnation as home secretary, she played with his job by offering it to Sir Geoffrey Howe.

His reaction was to work hard at their relationship. He became skilled at echoing her comments, almost to the word, but then adding the vital subclause or qualification that signalled there were differences.

His past loyalty has won him rewards. He is regarded by even some right-wingers as a safe-pair of hands which can be entrusted with the Thatcher legacy. He does not have the taint of a traitor with which some have tarred Mr Heseltine.

He will not want a complete break from Thatcherism, but is likely to want changes to the poll tax, which he knows is always going to be unpopular. On the health service, education and infrastructure he is likely to instil a stand of "caring conservatism", emphasising the importance of good management as well as financial resources.

Mr Hurd's biggest selling point, however, may be a commitment to cabinet government. He is unlikely to be as obsessed as Mrs Thatcher with details of all policy. Under him, Mr Major could reasonably expect to remain as chancellor with a large remit. Others would get a freer reign; Mr Heseltine might become party chairman.

Mr Hurd said yesterday that the "overriding need" of the party was to find a leader who could unite it. He now has to convince his colleagues that he is that person.

Ralph Atkins

THE THATCHER RESIGNATION: POLITICS

She has been a prime minister among the giants of this century

David Owen

The world will think the party has gone off its collective rocker

Cecil Parkinson

It is the most gutless act of treachery after all she has done

Carol Thatcher

She has taken the right decision. Twilight has turned to night

Neil Kinnock

Inner circle prepare for life outside Number 10

WHEN the removal vans arrive at Downing Street next week they will almost certainly end the tenancy at Number 10 of Mrs Thatcher's closest advisers as well as the prime minister herself.

Over her 11½ years in office, Mrs Thatcher has surrounded herself with a tightly-knit inner circle of officials and party workers in which the loyalty of those who were "one of us" was rewarded with her complete confidence.

That close association is likely to mean they will not remain long under a new prime minister. All of the leadership contestants will have their own debts to repay. But her circle's devotion is expected to be repaid in her resignation honours in the next few weeks.

Mr Bernard Ingham, her press secretary, is likely to be rewarded with a life peerage. For much of the past decade has been an figure unknown to most of the public.

Only latterly, after the publicity surrounding the Guardian and Independent newspapers' withdrawal from his background lobby briefings, has his wry Yorkshire character become widely recognised.

Although he has worked as an information officer under other governments, he has become too closely linked with the Thatcher tenure.

In 1992 he will be 60 and has often made clear his intention not to stay longer than required, prefering to follow his interests in cricket and rugby. He has a part-time honorary appointment lined up at Newcastle University, researching how governments communicate. He has speculated about writing a manual on the Government Information Service.

Mr Charles Powell, the prime minister's dutiful foreign affairs adviser for six years, was in Paris when she heard the result of Tuesday's ballot.

Aged 49, he is likely to be moved elsewhere by the Foreign Office. Speculation in the past has centred on a possible ambassadorship to Washington.

At the same time the prime minister's six-strong team of advisers at her policy unit is likely to be re-grouped if not reduced. The head of the unit since 1985 has been Professor Brian Griffiths, who at the City University was Professor of Banking and International Finance.

Special advisers are appointed on conditions of service broadly similar to career civil servants, but they can lose their jobs when the government changes or if the minister who appointed them is moved.

Of her close party associates, Mr Kenneth Baker is likely to be moved from his job as party chairman. But if the leadership is won by a candidate pledged to unifying the party, he could expect another ministerial appointment.

It was Mr Peter Morrison, her parliamentary private secretary, who passed Tuesday's result to the prime minister in his room at the British Embassy in Paris. But he has been in his job only since July and should not have his career stalled for long.

What of the prime minister herself? In the Commons yesterday she promised to serve the country in "whatsoever way" – suggesting she does not expect to go into total retirement. She is likely to be inundated with offers of lucrative lecture tours and to write her memoirs.

She, too, can expect official recognition from the Queen. A hereditary peerage is likely, perhaps honouring her birthplace. Mrs Thatcher, the prime minister for all of the 1980s, might then become Countess Thatcher of Grantham.

Ralph Atkins

Kinnock attacks Thatcher's career as PM

MR NEIL KINNOCK, the Labour leader, who moved a vote of "no confidence" in the government, launched his attack on Mrs Thatcher saying the divisions in the Conservative party, which had brought about Mrs Thatcher's resignation, could not be healed by her successor.

He claimed that the reverses suffered by the Conservative party in the European elections, coupled with by-election defeats and losses in local government polls, showed that the British people would bring down the government at the first opportunity.

In a reference to Sir Geoffrey Howe's testimony that cabinet government had broken down under Mrs Thatcher's dominance, Mr Kinnock protested that there had been a centralisation of power that was "indefensible" in a democracy.

With a gesture of contempt, he said the only time Conservative MPs had taken action was when they thought their own political careers were in danger.

Branding all those who had kept Mrs Thatcher in office for so long as guilty parties, Mr Kinnock told the Conservative benches "plea bargaining will do you no good".

He emphasised that the government's only response to the widespread criticism of the poll tax had been to make changes which did nothing to remedy its unfairness.

Mr Kinnock dismissed the changes which had been introduced as an attempt to provide "life belts" for Conservative MPs in marginal seats.

Amid further Labour cheers, he summed up the government's record in 11 "oil rich" years as a recession at the beginning and the end, rising inflation instead of the promised zero inflation and "an economic miracle" in between.

Mrs Thatcher not only dismissed his demands for an immediate election in the government but forecast that the Conservatives would achieve a fourth term in office under her successor.

The prime minister's insistence that under her leadership Britain's standing in the world had been enhanced, and that people at "all levels of income" were better off brought cheers from Conservative MPs and a shout of "Why have they sacked you?" from the Labour benches.

Loyalist Tory MPs took the opportunity to praise the prime minister for her achievements and criticise her removal from office. Mr Nicholas Ridley, Mrs Thatcher's former Trade and Industry secretary who has consistently supported her stance on European integration, said the campaign against her was "a sort of shameless medieval betrayal whooped up by the media".

He bitterly attacked the party's system for electing a leader, saying it was a crude part of the Tory constitution.

Mr Ridley warned the consequences of Mrs Thatcher's removal were yet to come. The backlash was starting in the constituencies, with Tory Association switchboards being jammed, whilst Mr Jacques Delors, president of the European Commission was "laughing all the way to the Euro-Fed".

Mr Cranley Onslow, chairman of the Tory backbench 1922 committee, said it was the saddest day of his political life. "There are very many people who heard the news of the prime minister's resignation with the greatest sorrow and anger at the course of events that brought it about. These emotions are real and will be very slow to fade," he said.

Sir Bernard Braine, Tory MP for Castle Point and the father of the house, said yesterday was the saddest day he could recall in his 40 years in parliament. "Mrs Thatcher has been the greatest prime minister in peace time that we have known this century," he said.

Mr Paddy Ashdown, the Liberal Democrat leader, said Mrs Thatcher's pre-eminent achievement was her record on trade union reform. She had also given the country a sense of the value of sound money and the role of the market in the economy.

However, he joined Mr Kinnock in calling for a general election and accused the government of remaining terminally divided on issues such as European integration.

He said Mrs Thatcher's resignation was also a blow to the Labour party which would now be forced to address the political agenda and explain what it would do in office.

Throughout her speech Mrs Thatcher demonstrated her astonishing resilience in the wake of being removed from the pinnacle of political power.

Ivor Owen and John Mason

1983 PARTY WAVES: Mrs Thatcher and Cecil Parkinson at Conservative Party HQ after their second election victory

Contrasting views from Downing St spectators

A CROWD of some 200 people gathered last night at the main entrance to Downing Street to mark the news that Mrs Thatcher's days in office were ending.

Mr Chris Byrne, an 18-year-old maths student at London University, said: "I'm here because I want to remember the greatest peacetime prime minister Britain has ever had."

Mrs Joyce Plessis, a company director, said: "I've taken the day off to pay tribute to a strong and excellent leader. Mr Heseltine, by contrast, is a little rich boy who thinks he is playing games." She added that Mrs Thatcher was "greater than Churchill".

Not everyone was so laudatory. Ms Joan Coltman, a nurse from Sheffield, said: "I'm happy she has gone. Look what she did to the health service – she was the extreme of capitalism and utterly heartless."

Mr Richard Phillips, a Rastafarian from Paddington, declared: "I'm happy that she's out. It has been 11 years of sadness and hard times."

Jimmy Burns

Labour disappointed by departure of an electoral asset

MR NEIL KINNOCK'S immediate response that Mrs Margaret Thatcher's decision to resign was "good news" hid disappointment – a premier regarded by Labour as its biggest electoral asset had decided to quit.

Mr Jack Cunningham, Labour's campaigns co-ordinator, will give priority to devising a strategy which takes account of the absence of the "Thatcher factor" and limits the length of the political honeymoon usually enjoyed by a new prime minister.

The growing realisation among Conservative MPs that there had been a catastrophic slump in the vote-gathering capacity of the woman they had been accustomed to describe as Britain's greatest peace-time prime minister precisely reflected the judgment of Labour's shadow cabinet.

However, behind their public euphoria was the sober assessment that their demands for an immediate general election would not bear fruit and that the odds favoured Mrs Thatcher's successor being able to revive Tory fortunes.

The departure of Mrs Thatcher paralleled the frustration experienced by Conservative MPs over the resignation in 1947 of Mr Hugh Dalton, Labour's chancellor, whose cheap-money policy kept bank rate at 2 per cent. Mr Dalton's departure led Mr Nigel Birch, one of his most trenchant Conservative critics, to complain: "They've shot our fox."

Mr John Smith, today's shadow chancellor, will have a key role in shaping tactics which emphasise the economic problems left behind.

If the premiership goes to Mr John Major, Labour will attack his direct responsibility, while chancellor, for allowing inflation to climb above the 10.3 per cent which Mrs Thatcher inherited when the Callaghan government left office in 1979.

While Mr Michael Heseltine, who resigned from Mrs Thatcher's cabinet in 1986, would be in a stronger position to respond to such tactics, his record in support of her government on key policy issues would be cited by Labour as evidence of his complicity.

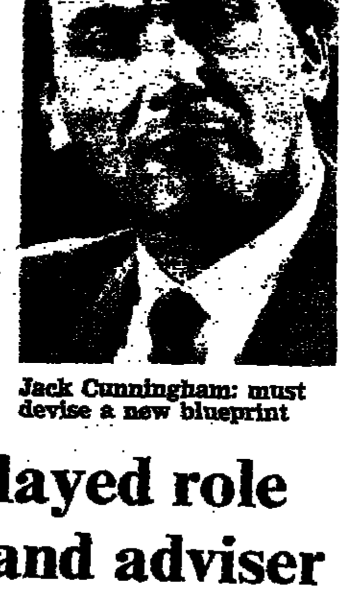
The same charge could also be levelled at Mr Douglas Hurd who served Mrs Thatcher in top cabinet posts for a longer period than Mr Major.

While Mr Paddy Ashdown and his Liberal Democrats echoed Labour's demands for an immediate general election, they would prefer a reasonable breathing space before putting themselves to the test.

Although opinion polls have favourably reflected Mr Ashdown's growing confidence as party leader and the benefits from the merger of the Liberals and the Social Democrats, the party's strategists fear that in Scotland the absence of the "Thatcher factor" and a revival in the Conservative vote could threaten its seats.

In contrast to their public posturing, most MPs on the opposition benches believe the general election is still some distance away. They are also reconciled to the likelihood that its timing will be determined by the new prime minister and not the result of a "No confidence" vote in the Commons.

Ivor Owen



Jack Cunningham: must devise a new blueprint

Scotland bids farewell to an auld adversary

MRS Thatcher's decision to stand down brings the departure of a figure who was disliked to the point of detestation by the vast majority of Scots, writes James Buxton.

It may make possible a revival in the fortunes of the Scottish Conservative Party, which has long found the prime minister an electoral liability.

Even though Scotland has enjoyed steadily rising prosperity for most of the period of the Tory government, Mrs Thatcher is associated with the unemployment caused by the closures of older industries and with the poll tax, implemented in Scotland a year before England.

Dislike of her mounted after the 1987 election when her response to the loss of 11 of the Tories' 21 Scottish MPs was to strengthen rather than weaken the dose of Thatcherite policies. They were implemented by her often hapless Scottish Secretary, Mr Malcolm Rifkind, and by her admirer Mr Michael Forsyth, a Scottish Office minister.

In particular, she rejected any form of devolution of power to Scotland. Although Mrs Thatcher made frequent visits to Scotland and attempted to demonstrate that her attitudes were based on supposed Scottish virtues of thrift and enterprise, she was considered to talk down to the Scots and, in a male chauvinist culture, was resented for being a woman.

The Scottish Young Conservatives said they were "devastated" by Mrs Thatcher's departure. They pledged to go on fighting for the Thatcherite philosophy and promised to support Mr John Major.

Canon Kenyon Wright, who leads the Scottish Constitutional Convention, a body backed by Labour and the Liberal Democrats which has drawn up a plan for a devolved Scottish parliament, said it was "the end of an ideology that Scots long ago rejected."

● Unionist leaders in Northern Ireland said they hoped Mrs Thatcher's resignation would lead to the abolition of the Anglo-Irish agreement and a government offensive against the IRA.

The Rev Ian Paisley, Democratic Unionist leader, said Mrs Thatcher had made an outstanding contribution to British politics until she had taken "a wrong turning" in signing the agreement.

Mr Paisley said: "Politicians and government must learn that they cannot thwart the will of a determined majority and, indeed, if they dare to do so they will be hung on their own petard."

Mr James Molineaux, the Ulster Unionist leader, said the Prime Minister had recently been exhibiting realism towards Northern Ireland.

A triumvirate of friends that came to blows

WHEN historians write of the fall of Mrs Thatcher, they will focus on the relationship with her two most important ministers, Sir Geoffrey Howe and Mr Nigel Lawson.

These three together – Mrs Thatcher with her will, Sir Geoffrey with his persistence and Mr Lawson with his ingenuity – were responsible for the economic triumphs of the first embattled term: the bonfire of controls, the reduction of taxation, the medium-term financial strategy, the crushing of inflation and the apparently deflationary 1981 budget.

With Mr Lawson at the Treasury and Sir Geoffrey in the Foreign Office, Mrs Thatcher seemed to have in place the perfect team to pursue her revolution, both at home and abroad. These were allies not just of convenience, but – to a rare degree – of principle. But it was not to be. Europe came between them.

It may be difficult for future generations to imagine how anything as apparently dry as sterling's entry into the exchange rate mechanism of the European Monetary System could, in the end, lead to the resignations of all three. But it did.

At the Madrid summit of the European council in June 1989, Sir Geoffrey and Mr Lawson were determined to make Mrs Thatcher agree that the time might soon be "ripe" for ERM entry. Their "success" led to Sir Geoffrey's dismissal from the office he loved. This humiliation, plus Mrs Thatcher's unwillingness to modify her tone, led to the resignation speech that was to be the proximate cause of her downfall.

Much before that, however, came the parting of ways with Mr Lawson, also over ERM. A restless intellectual, Mr Lawson concluded from those first embattled years that domestic monetarism was unworkable. The exchange rate became the lodestar of his policies.

Balked of his desire for ERM entry in 1985, Mr Lawson used the oil price collapse of 1986 to let sterling devalue from DM3.75 to a low of DM2.75. The ensuing pre-election boom brought him plaudits and his party electoral success.

With Mr Lawson determined to proceed with a policy of stabilising the exchange rate at around DM3, a policy that seems never to have been formally agreed, the boom went on.

By the time the scale of the expansion in demand became evident, it was too late. The UK was embarked on another go-stop cycle. This damaged the government's reputation for economic competence but, worse, the economic cycle was now out of phase with the political cycle.

From "brilliant" chancellor, Mr Lawson swiftly became the scapegoat. The rest – Mr Lawson's resignation, 15 per cent base rates and the loss of government credibility that made Mrs Thatcher vulnerable – is now history.

Martin Wolf

Husband played role of consort and adviser

MRS THATCHER fought to the end against quitting, but what made her finally change her mind? An important element could be the attitude of Denis Thatcher, the loyal consort.

Through 39 years of marriage, he has been the crony she has really needed, the only one around her with no self-serving interests and no job to lose.

It is well known that Denis has on occasions not been opposed to Mrs Thatcher's retirement from politics to live a more relaxed life in the sedate south London suburb of Dulwich, but he has never pushed the point.

Nevertheless, his advice could have been critical, in the view of the closest Thatcher-watchers. A loyalist backbencher said yesterday: "She had decided to rebuff the political advice to go, but I think Denis would have given the same advice, and this could have been crucial...she relies on his judgment a lot."

Mrs Thatcher recently said of her husband: "You come back home, and you know, whatever has happened outside that day, there is always affection and loyalty, a sense of perspective and a sense of proportion – that is what Denis gives me. He is a terrific help, a sounding board...naturally, he is at his most valuable when things are particularly difficult."

She admits he is often a much better judge of people than she is and she often seeks his advice on the merits of those they have met.

Denis Thatcher's public persona is paradoxical. He is sometimes portrayed as an amiable old buffer, the ultimate in hen-pecked husbands who thinks of little else apart from the next round of golf and the next tincture of G and T.

Yet those closest to him regard him as a shrewd and subtle man who has long since realised that the easiest way to handle the difficult role of consort to Margaret is to play the fool a little and to caricature himself along the lines of the Dear Bill letters in Private Eye.

His record suggests a man of some substance. War service in Italy with mentions in despatches and an MBE; success in running and expanding Atlas, the family chemicals company which was then sold to Castrol; then success as a director of Castrol and promotion to chief financial planner for Burmah Oil when it took over Castrol.

"He is not a great ideas man, but he's very practical. A good man to have on the board. He can size people up well and you don't fool him easily," said one colleague.

His almost flawless public performance as Mrs Thatcher's loyal consort has not been easy. It has meant hiding his true nature – short-fused, outspoken, arch-conservative. Life will be much more relaxed in Dulwich.

Richard Evans

Marginals face gruelling process of unification

THE shock-waves of Mrs Thatcher's resignation reverberated around the political world yesterday, and nowhere more than in the marginal constituencies where the Tories are dangerously balanced between victory and defeat in the next general election.

In the Conservative Association Office in Ipswich, where Mr Michael Irvine has a majority of 874 votes, a pro-Thatcher editorial – "Britain rallies to a proven leader" – from a popular Sunday newspaper some weeks ago was yesterday still pinned defiantly to the wall.

The editorial's assertion of "remarkable support for the prime minister, drawn from men and women of all ages and social classes, in all parts of the country" may have seemed rather odd in the circumstances, but it still struck a note with Mr Robin Baldry, the association's organiser.

"This is a testimony to a great prime minister," he said. "The lady deserves the highest accolade she can get. She's been a wonderful leader. She's done Britain proud."

His memories are of the Falklands conflict, the miners' strike, and of "feeling on Cloud Nine" when shaking hands with Mrs Thatcher for the first time at the recent Conservative party conference.

Some local constituents took their loyalty to Mrs Thatcher a step further and telephoned yesterday to cancel their subscriptions and say they would not vote for any other Tory leader in the next election.

But they were equalled if not outnumbered by those standing outside the office giving the thumbs-up sign or calling to reassert their support for Mr Heseltine. No one mentioned Mr Hurd or Mr Major.

Among the Thatcher deserters was Mr Ray Driver, leader of the Tories in the Labour-controlled Ipswich Council.

Long before yesterday's announcement, Mr Driver had reached the conclusion that Mrs Thatcher had become an electoral liability. He believes that, now she has gone, the Conservatives have a chance of hanging on to power.

Mr Driver said: "I didn't think Mrs Thatcher could win us an election, and I have thought that since May, when the message came through very clear on the doorstep that people didn't want her. There was one reason for this: the community charge."

In May, the local vote swung away from the Conservatives, losing them two council seats and increasing Labour's hold.

Ipswich, once a sleepy backwater, has not done badly under Thatcherism. The 1979 election was followed by a revitalisation of local industry.

Mr Driver is not alone in the local party in identifying Ipswich's community charge of £440 as the main reason why Tory appeal has waned.

He blames Mrs Thatcher for formulating a policy that led to a high level of poll tax alongside cuts in services such as cheap housing.

For several weeks Mrs Elizabeth Harsant, chairman of the Conservative Association, has been supporting Mr Heseltine, not just because she thinks he will keep the party in power but because she also agrees with his personality and ideas.

As she points out, Mr Heseltine has not just appeared from nowhere. Long before he announced his leadership bid, he had visited Ipswich several times to sound out local views.

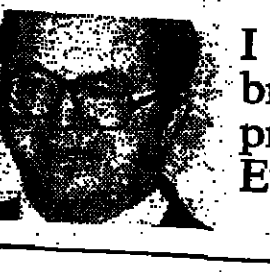
She says: "Both Mr Hurd and Mr Major are good ministers but they lack the charisma needed . . . Heseltine has that. He is also a good listener and this country is looking for consensus politics."

Mrs Harsant says: "A lot of people here feel enlightened by the thought of European unity. It's their future. They see Heseltine as having the necessary vision to go forward."

Other marginals seem likely to face a similar dilemma.

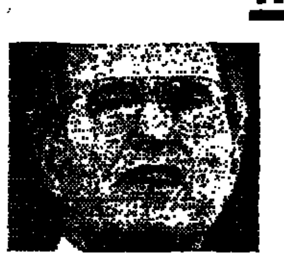
Jimmy Burns

THE THATCHER RESIGNATION: FOREIGN POLICY



I hope it will bring faster progress on European union

Wilfried Martens

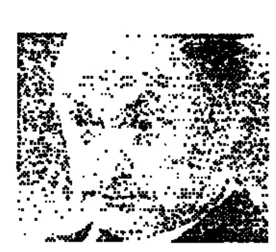


She has been a staunch friend and ally. I'll miss her

George Bush

The curtain has fallen on the iron lady. She deserves our applause

Valéry Giscard d'Estaing



She's a historic figure. She helped bring the USSR closer to Europe

Gennady Gerasimov

Britain expected to return to Europe's mainstream

MRS THATCHER'S departure will move Britain in general and the Tories in particular into the mainstream – broad river, that it is – of the debate about closer integration in the European Community.

It will soften, but by no means remove, the argument over sovereignty and the relative competences of the EC and its constituent states. This debate is as (or more) relevant than ever with the imminence of monetary and political union, but Mrs Thatcher was the last to put it in neo-Gaullist terms of a Brussels-directed superstate riding roughshod over the nations of Europe.

Mr Jacques Delors, chief executive of that supposed superstate, will now no longer feel intimidated about setting foot on British soil.

Mrs Thatcher's departure will also mitigate the element of left-right ideological warfare which Britain has introduced into such hitherto technocratic Community issues as labour market regulation.

The presence of Mrs Thatcher as their nominal leader scuppered the attempt by Tory MEPs to end their isolation in the Strasbourg assembly and join the big battalion of the centre-right Christian Democrats, who happen to back strongly the Social Charter. Tory entry into the CD group is on the cards.

At the same time, with Mrs Thatcher goes the one EC leader with a real interest in the Community having a genuine single market and real budgetary control on its spending. Whoever succeeds her will continue to stress these points, because of the UK's self-interest in getting access to hitherto restricted continental markets (especially financial), the fact that the UK is second only to Germany in net contributions to the EC budget (despite Mrs Thatcher's hard-won rebate), and Treasury dominance in UK policy-making.

But, with her love of nitty gritty detail, Mrs Thatcher is probably the last EC leader to emerge from European summits and bang on about the importance of cabotage in freeing up road transport.

As the longest-serving EC leader – a mantle that passes to Mr Wilfried Martens of Belgium – she found it hard to revise her first impressions of people or institutions.

Chancellor Helmut Kohl first struck her as a bumbler, and never forgave her for letting this impression show. "Poor little Gaston," was how she termed the first Commission president (Mr Gaston Thorn) she really had to do business with, and her opinion of that office never greatly changed to take account of Mr Delors's greater stature.

It was true that other governments and leaders often hid behind her skirts and let her do the plain-speaking for them. But why did they hide? Because, in the end, her abrasive style made open alliance with the UK more of a hindrance than a help to their cause.

Lisbon and Dublin, for instance, had qualms on the Social Charter, but their ministers would rather have died than publicly line up with London. Another example of this phenomenon of alliances-that-dared-not-speak-their-name came earlier this month when diplomats from the European Free Trade Association (Efta) welcomed a British plan to involve Efta more in EC decision-making, but wondered whether its British label would not make it immediately suspect to other EC states.

EC ministers would rather have died than publicly support Thatcher's line, but now even Jacques Delors, the Commission president, will be able to set foot on British soil without feeling intimidated

A new British leader has a new chance to win friends and influence people in the Community.

Whether he can shake the dominant Franco-German axis is, however, doubtful. The last chance to do that was probably missed in the 1970s, when an initially pro-British German leader, Helmut Schmidt, turned away from the UK (Labour) government in disgust and into the arms of France.

The leadership change was immediately read yesterday by EC officials and diplomats as a sign that Britain will now – sooner or later – sign the emerging treaty on economic and monetary union (Emu).

If Mr John Major wins, he cannot be expected lightly to throw overboard the hard Ecu plan that bears his name. And it has shown itself attractive to countries like Spain; it wants eventual full Emu, but fears too rapid a pace towards that goal could relegate it to the second division of a two-speed Europe, and therefore sees a hard Ecu-issuing central bank as a useful intermediate stage until the end of the century.

The main difficulty remains that of reconciling a role for the hard Ecu with German distaste for any plan for a parallel currency to gradually subsume national monies. "Why do we need a second hard currency – we already have one, the D-mark," was how one German diplomat yesterday summed up his country's position.

The current betting is that the treaty conference to establish Emu will end sometime next autumn, under the EC presidency of the Netherlands, incidentally, one of the few countries with which Mrs Thatcher had a good working relationship. Britain will in all probability still have a Tory government, which may now want to go right to the end of its June 1992 term to re-establish credibility with the voters.

If, however, Labour comes to power within the next year, the Emu conference, or at least parliamentary ratification of an Emu treaty, could be delayed.

The Labour party has said it wants Emu to be accompanied by assurances that the EuroFed will be under proper democratic control, that poorer regions such as those in the UK will get more money from Brussels' funds, and that the Community develops the sort of demand-oriented policy for economic growth that the supply-side economics of the 1992 programme have rather pushed out of fashion.

Such conditions may, like Mrs Thatcher's conditions for putting sterling into the Exchange Rate Mechanism (ERM), have to be largely put aside if Britain is to get its seat on the Emu train.

It was always more likely that Britain would go along with the results of the simultaneous conference opening next month on European political union (Epu). Mrs Thatcher herself rightly forecast that the struggle on Epu would be less long and fierce than on Emu. There are two reasons for this.

First, most proposals for Epu are less radical, and the outcome is likely to be more foreign policy co-ordination, more majority voting in the Council of Ministers, and more amending powers for the European Parliament.

Second, Britain is only one of several dissenters to the far-reaching ideas being floated by the Italian presidency for the Community to acquire a new defence dimension and to give Strasbourg an effective veto over EC laws it does not like.

Germany, Ireland, Denmark also hold, for diverse reasons, reservations on defence, while France shares the British government's distaste for giving Euro-MPs more power.

There is a final caveat in the minds of Britain's EC partners, however, about the effect of short-term changes on long-term British policy. Britain, they recognise, is perforce a late and difficult arrival to the unfolding drama of EC integration.

Tories and Labour remain attached to national political institutions that have remained unaltered by war and revolution, while an island people is inevitably somewhat sheltered from the gusts of change sweeping unchecked across the continent of Europe.

David Buchan

EC PRAISE

Feelings of admiration linger on in Brussels

THERE WAS more than a touch of hypocrisy about the paeans of praise publicly heaped on Mrs Thatcher in the European Community yesterday. But it would be wrong to assume everyone in Brussels is happy to see her go.

Her firm views on national sovereignty and closer integration are widely seen as outdated – attuned more to the Congress of Vienna than this week's equally historic Charter of Paris, as one EC official put it. Yet her contribution to the budget and farm policy debates will be missed.

Her battling style – derided by other leaders and hyped by her own advisers for domestic political consumption – often masked the significance and seriousness of issues which she alone was prepared to raise. Frequently accused of being anti-European in her long battle for a budget rebate, she was arguably no more nationalistic at the time than states like France which were prepared to lie low and profit from an unfair system.

The British Treasury calculates her toughness saved the UK £10.7bn over the last decade and that another £10bn will be saved over the next four years.

On agricultural reform, British government rhetoric is not infrequently at odds with practice – but Mrs Thatcher found an unlikely ally in the Commission and certainly played a key part in putting some sort of lid on farm spending at the February 1988 summit.

One EC expert closely involved in those tortuous negotiations recalled how the "stabiliser" mechanisms at the heart of that deal were essentially British inspired, the result of a Treasury plan supported personally by Mrs Thatcher in the face of strong Foreign Office doubts.

Agriculture is again milking the EC purse – but it should not be forgotten that the relaxation of budget pressure which accompanied the 1988 farm reforms gave the Community vital breathing space to concentrate on the more important goal of creating a single, barrier-free market.

Deeper economic integration, of course, has helped create the new momentum behind monetary and political union – bandwaggons which have proved unstoppable for Mrs Thatcher since German unification became inevitable and the Paris/Bonn axis was once again reinforced.

Her hasty, and to many Europeans ill-considered, responses to issues like the nation state has indeed contributed both to her downfall at home and to the perception in the EC that Britain's role in decision-making has become more marginal.

She will nevertheless be remembered for having had the courage to raise awkward questions in the first place and to have inspired a debate in Britain which has no real echo yet in other member states.

"I think she is wrong in what she says about Europe", a Spanish EC official said last night. "But in two to three years time other countries will have to grapple with many of the problems which she talks about today."

Tim Dickson

Doubtful record in foreign affairs

AMONG ALL the praise that has been heaped upon her head, once she had taken the decision to resign, Mrs Margaret has been awarded the title of "great world stateswoman" by her admirers. Whether she really merits this honour is doubtful, since her statesmanship depended more on the impact of her strong convictions and personality on the leaders of other countries than on a deep understanding of international affairs or a clear perception of the country's long-term interests.

As in domestic matters, Mrs Thatcher was "a gut politician" in foreign affairs, not a strategic thinker. A Metternich or a Kissinger would never have over-extended the country's resources and capabilities by sending warships and troops half way round the world, as the prime minister did in 1982 to recapture, against all odds, a tiny and useless island colony in the South Atlantic.

The famous "special relationship" which she established with former President Ronald Reagan was based both on a warm personal rapport and a conception of Britain's role and interests, which had its roots in her personal experiences of the Second World War and the immediate post-war period. The alliance with the US was thus still given absolute priority at a time when the Foreign Office and the country's economic policy-makers and business community had long ago accepted that Britain's relations with the continental European nations should become at least an equal pillar of its foreign policy.

It was one of the striking characteristics of Mrs Thatcher's performance on the international stage that she had to feel "at home" with a foreign leader before she felt inclined to promote bilateral relations with his or her country. While she felt quite happy to indulge in simple conversation with Ronald Reagan in a more or less common language, the linguistic and cultural differences between this quintessential English islander and many of the continental European leaders appeared to be an almost insuperable barrier to her comprehension of their policies and political aims.

The perceptible worsening of Britain's relations with the Community was matched by a similar deterioration of Britain's traditional relationship with the Commonwealth. The cause, in this case, was the interminable and sometimes virulent dispute between the prime minister and virtually all the other members over sactions against South Africa, throughout three successive Commonwealth conferences.

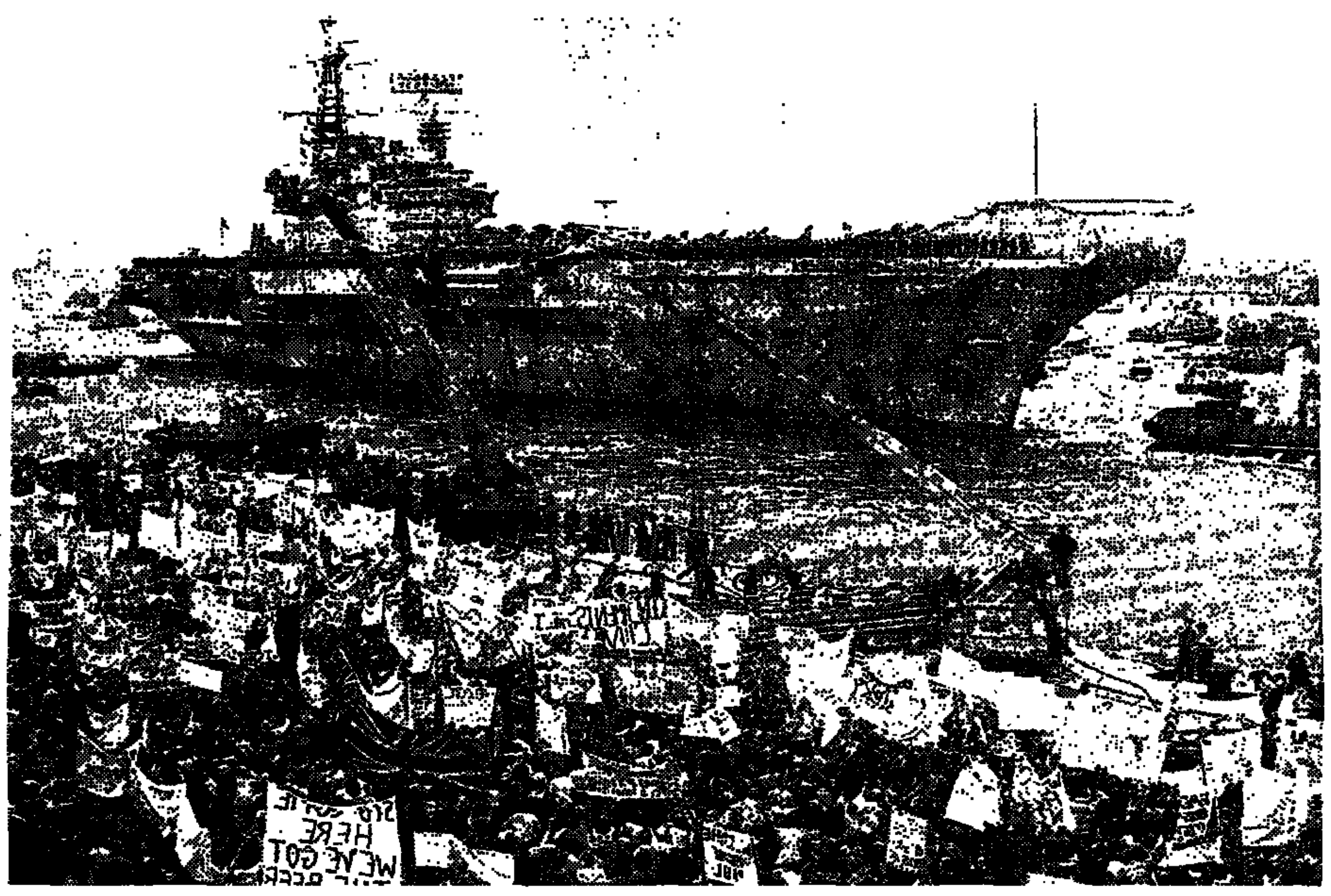
Whether Mrs Thatcher was right in her fierce opposition to sanctions, which she claimed would not work and would harm the black population of South Africa more than its rulers, or whether her Commonwealth partners are justified in arguing that the pressure of sanctions has made an essential contribution to the liberalisation of the Pretoria regime, will never be answered conclusively. What is certain is that, if Mrs Thatcher had shown just a little more willingness to compromise, Britain would not have forfeited its traditional position as leader of the Commonwealth.

Yet the all-too obvious weaknesses of Mrs Thatcher as international stateswoman and conciliator have undoubtedly been compensated, to some extent at least, by the more positive aspects of her special brand of frank, personal diplomacy.

Her instant recognition of Mr Mikhail Gorbachev as one of her own ilk, even before his election as the Soviet Communist party's secretary-general has helped increase Britain's international influence. It was Mrs Thatcher who helped to persuade former President Reagan that he should cultivate US relations with the Soviet Union under its new leader, a development which led to the wide-ranging détente in Europe and, indirectly, to the liberalisation of the Soviet and Eastern European communist regimes.

There can be no doubt that Mrs Thatcher's unshakeable and outspoken defence of her own principles, the free market economy and western democracy, has earned her the admiration and respect even of those who do not like her policies. It is as much a sign of affection, than of ridicule, that she is referred to the world over as "the iron lady." If history is unlikely to accord her the status of "great stateswoman," she will certainly earn a place as a "great international personality."

Robert Mauthner



1982 **FALKLANDS WAR:** Her greatest triumph or a freak of history? Mrs Thatcher's personality dominated this south Atlantic drama from its confused inception – the hoisting of an Argentine flag on the remote island of South Georgia – to its final triumph – the defeat of the Argentine forces led by General Leopoldo Galtieri's military junta. Mrs Thatcher's determination that the war should be seen as a noble and principled crusade in defence of a people invaded against their will foreshadowed her later involvement in the Gulf crisis. At the time it matched the nation's mood as demonstrated in the euphoria which greeted the return of the aircraft carrier Hermes. The "Falklands factor" figured large in her subsequent election victory.

WARMER LINE ON EUROPEAN INTEGRATION ANTICIPATED

Germans look for return to consensus

By David Marsh in Bonn

MRS THATCHER'S lasting achievement in Germany may, ironically enough, have been to turn "Thatcherism" into a term of abuse. Early German admiration for her vision, courage and persistence has long soured under the curdling influence of her obstinacy and prejudice.

German politicians and commentators yesterday welcomed the prospect that the next British prime minister – whichever of the three candidates wins – would take a warmer line on European integration.

Mr Werner Holzer, editor of the left-leaning Frankfurter Rundschau newspaper, said: "The relationship between the UK and Europe can only get better."

Mr Volker Rühe, general secretary of Chancellor Helmut Kohl's Christian Democrats, said scathingly of Mrs Thatcher: "I think she has been part of history for some time already." The new leader would take a more "pro-European stance".

Although Mr Heseltine is something of an unknown quantity in Germany, Mr Hans-Dietrich Genscher, the foreign minister, has in recent months made much of his ability to get on with both Mr Major and Mr Hurd. Mrs Thatcher, on the other hand, despite adherence to the same basic creed of conservatism as Mr Kohl's party, has managed to alienate nearly everybody.

Ex-Chancellor Helmut Schmidt admired her intelligence and courage, but liked to call her "a 19th century leader – Lady Disraeli". President Richard von Weizsäcker has been heard to voice the opinion that she was still living in the year 1942.

Mr Theo Waigel, the finance minister, said yesterday that he would miss her, but not her continuing insistence that "I am always right."

For Germans, the prime minister's chief drawback – apart from her distaste for European federation and German unification – lay in her lack of affection for that most obsessive of post-war German traits: consensus.

Mr Hans-Jochen Vogel, chairman of the Social Democrats, said Mrs Thatcher's resignation showed that "a policy which turns ruthless search for profit into a maxim of society doesn't have a chance anywhere in Europe." Mr Alfred Dregger, chairman of the conservative parties' parliamentary grouping, termed as "tragic" Mrs Thatcher's failure to recognise the surge towards a united Europe.

For a politician of confrontation, Mrs Thatcher wrought in Germany a curious unifying effect. In a heavily-barracked speech in the Bundestag yesterday, Mr Oskar Lafontaine, the opposition Social Democrat candidate in the December 2 general election, said that "Thatcherism" must not be allowed to take hold in Germany. It was one of the few points in his address when he was not noisily interrupted by government deputies.

Americans try to tune into the new voice of Britain

"IT'S A BAD day for Britain," a White House official in Saudi Arabia said yesterday on hearing that Mrs Thatcher intented to resign.

She has become so much the face and voice of Britain – "Thatcher's Britain" – over the past decade that her departure is a profound shock in the US, not least because the seriousness of her political troubles only began to be appreciated a few days ago.

Moreover, all her potential successors are virtual unknowns to the American public. They are scarcely better known in Washington, though Mr Douglas Hurd is increasingly respected by US foreign policy-makers, and Mr John Major, as chancellor, has established a rapport with the US Treasury.

Mr Michael Heseltine is known mainly by those few who remember his opposition to a US solution to the Westland crisis.

Many Americans do not understand why Mrs Thatcher has had to go. They have been puzzled about why someone who has such a formidable international reputation should be turned out.

They have not taken on board until now the extent of her domestic unpopularity.

This has been reinforced by frequent American misunderstanding about the workings of the parliamentary system, so unlike the US model, – and how a prime minister is ultimately dependent on the support of her cabinet and parliamentary colleagues, and does not have the independent existence of the US president.

The immediate American worry is naturally about the Gulf crisis. Mrs Thatcher has been the staunchest, and most hawkish, supporter of President George Bush's policy, and he has frequently acknowledged the importance of her backing.

It was a curious irony that the news from Downing St came just as Mr Bush was in Saudi Arabia visiting American and British troops.

Before the announcement several had asked British reporters what was going on – and hoped she would fight on and win.

While all three candidates for the leadership are behind current US Gulf policy, the removal of Mrs Thatcher will inevitably mean a difference of tone and style. A successor will probably talk in less bellicose language and will certainly not have the influence of Mrs Thatcher with American and international opinion.

Mr Bush has lost a central public prop.

More generally, Mrs Thatcher has always been much more of an Atlanticist than a European – even though she has little direct knowledge of the US or of its often ambiguous attitude towards Europe. All three candidates for the Tory leadership will be seen in the US as more European in their outlook.

However, this shift should not be overestimated. Mrs Thatcher's language – and her undoubtedly close personal friendship with former President Ronald Reagan – has fostered illusions in Britain about transatlantic relations and has masked existing changes.

The term "special relationship" has always confused more than it has clarified. It has meant less in American eyes than the romantic notions of an English-speaking partnership fostered by Mrs Thatcher and Conservative anti-Europeans.

Washington increasingly views Britain as one among a number of medium-sized powers, and the State Department has been irritated by the UK's lack of influence over European Community decisions. It is better to have a friend on the inside than on the outside.

Yet there is undoubtedly a special relationship between Britain and the US on defence and intelligence matters, dating back to the wartime alliance. Foreign policy-makers from both countries work closely together, sharing information and views, in the way that the US and its other allies do not.

In times of crisis, such as the bombing of Libya 4½ years ago and the present crisis in the Gulf, Washington has generally been able to count on public support, or at any rate acquiescence, from London. The only exception was during the Edward Heath years from 1970 to 1974.

The departure of Mrs Thatcher will, none the less, raise questions for many Americans about British policy – and a new prime minister would be well advised to come to Washington soon.

Apart from providing reassurance on the Gulf, the new leader will also need to explain to Americans how far he will change the Thatcher legacy.

For many Americans, notably conservatives and including many businessmen who invest in Britain, Mrs Thatcher has personified the political and economic renaissance of Britain.

They see her critics as wanting to return to the "bad old days" of the 1970s and will now be worried about what her successor will do.

Peter Riddell

GALLIC SHRUGS

Few tears in Paris for 'la Dame de Fer'

FRENCH reactions were yesterday divided between unashamed relief and regretful admiration.

But the central fact about the end of the Thatcher era, from the French point of view, is that she had long outlived her capacity to impress, to annoy or to obstruct.

Right to the end, the French media have continued to call the British Prime Minister "La Dame de Fer", fascinated by her lacquered belligerence.

But in the past two or three years, politicians and officials who used to quote Mrs Thatcher with awe as a model of forceful conservative government, have gradually lost interest in her postures and her policies.

Her magic has faded as the British economy has gone wrong, and even her strident objections to European integration have lost their capacity to alarm.

At bottom, it is as if the French had stopped taking her seriously.

Though Mr Roland Dumas, France's foreign minister, predicted yesterday that there would now be a shift in Britain's European policy, the French government has long ceased to express any anxiety that Mrs Thatcher could prevent agreement on monetary and economic union or political union in Europe, in the inter-governmental conferences which start in Rome next month.

The process of European integration has received a three-fold extra impetus from the recent unification of Germany, from the potential disorder of the countries of eastern Europe, and from the incipient disintegration of the Soviet Union, and no-one in France has believed that Mrs Thatcher could stop it.

On the other hand, a wholeheartedly pro-European policy by a new British prime minister could open new political and security options in the field of European integration, which the French government might find both welcome and embarrassing.

Hitherto, the central French assumption has been that Europe would be built on a foundation and according to a blueprint provided by the Franco-German alliance.

This is still the assumption; but President François Mitterrand is obviously less comfortable with the relationship now that Germany is free and sovereign; and some officials suggest that France would be glad of a complementary political relationship with Britain, if there were a chance of a meeting of minds.

The meeting of minds is most difficult on the question of defence and security. President Mitterrand has still not said how much defence and security he wants in the new treaty, because he is reluctant to renounce the Gaullist shibboleth of national independence.

He might be less reluctant, if the next British prime minister were to admit that the Nato alliance is not necessarily the only answer to the post-cold war era.

Ian Davidson

THE THATCHER RESIGNATION: BUSINESS AND THE ECONOMY

'Her departure is embarassing to explain to foreign friends'

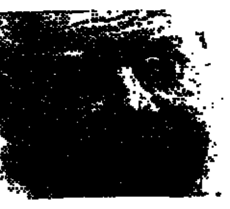
Sir Nigel Broackes

'Under her we have been left alone to run our business'

Lord King

'Until three weeks ago I did not know who this Heseltine guy was'

Alan Sugar



'She has brought about the regeneration of an enterprise culture'

Sir Denys Henderson

Building on the consensus

Peter Norman on the differences between the three men bidding to be prime minister

BRITAIN'S next prime minister will adopt a less abrasive tone on European economic and monetary union while maintaining the broad thrust of macro-economic policies established in the Thatcher years.

But in next week's leadership election, Conservative members of parliament will be given a choice, and therefore the power to influence the government's policy, on issues of industrial policy, independence for the Bank of England and in reshaping the poll tax.

In broad economic policy terms, Mr John Major, the chancellor, and Mr Douglas Hurd, the foreign secretary, can be expected to build on the government's existing policies.

In nearly 13 months as chancellor, Mr Major has moved cautiously, keeping monetary policy tight to combat inflation. His greatest achievement was to persuade Mrs Thatcher to take sterling into the Exchange Rate Mechanism of the European Monetary System in October. If elected to lead the party he would probably ask his present deputy Mr Norman Lamont, the Chief Secretary to the Treasury, to become chancellor.

Mr Major's first remark on taking office was that if economic policy "isn't hurting, it isn't working". In a recent interview with this newspaper, he pledged not to play politics with the economy. "I want us to move down into the 1990s with the inflationary problem behind us and an economy that is on a stable basis. So I am not going to play silly games with it before the election," he said.

If the government succeeds in regaining control of the economy, Mr Major, as prime minister, would give greater emphasis to ensuring equality of opportunity.

Mr Hurd is an unknown quantity, having shown little or no interest in economic policy to date. He is regarded by outsiders as something of an economic "wet". But this could be a mistake. He is highly regarded by Mr Nigel Lawson, the "dry" former chancellor. He could be expected to leave Mr Major in his post to continue current policies.

Mr Michael Heseltine, for all his wandering in the political wilderness since 1986, has also given no sign of wanting to change the government's underlying macro-economic stance. Like Messrs Major and Hurd, he had long advocated subjecting the economy to the discipline of the EMS.

Where he differs from his two rivals is in his passionate belief in a partnership between business and government to forge an industrial strategy that would enhance Britain's international competitiveness. He wants independence for the Bank of England. As a consistent opponent of the community charge, Mr Heseltine coupled his leadership bid with a pledge to review it.

Next month's Intergovernmental Conferences of EC leaders on Emu and political union in Rome will be the first major occasion for the new leader to be able to demonstrate policy changes from the Thatcher years.

The following is a brief assessment of the candidates' positions in key economic policy areas:

- On Europe, Emu and the IGC, the emergence of either Mr Major or Mr Hurd as prime minister would probably result in a change of tone and style rather than an immediate change of substance. Mr Major and Mr Hurd have been strong supporters of Britain's hard Ecu alternative to the Delors Committee programme for a three stage move to a single currency and central bank. Both have opposed the recent decision of the other 11 EC member states to fix 1994 as the start of stage two of Emu. Both have said that the hard Ecu could emerge as a single currency if that is what governments and people want. But both oppose the imposition of a single currency.

Mr Heseltine has long advocated a greater British commitment to the EC and is willing to share sovereignty when it is advantageous. But it is unclear whether he is a strong supporter of the hard Ecu. In his book, "The Challenge of Europe", published in 1989 before the invention of the hard Ecu concept, he forecast that the existing basket Ecu would develop and that pressure would grow for the fusion of national economic policies.

Britain's EC partners will be looking to see whether the new leader accepts the goal of a single currency. This would smooth IGC negotiations and could lead to a warmer reception for the hard Ecu plan.

Recently, however, Mr Heseltine seems to have laid greater stress on moving towards monetary union through co-operation among European central banks.

- An independent Bank of England is a recently formulated, but important part of Mr Heseltine's domestic economic and European policies. He told a fringe meeting at this year's Conservative party conference in Bournemouth that: "No indication of counter-inflationary resolve would be more powerful than to announce that the Bank of England's independent status was to be restored."

He implied that such a move would be a stepping stone to a European central bank and appeared unruffled by any loss of sovereignty involved. "If the Governor of our Bank works together with other central bankers in western Europe in the search for a form of economic and monetary union to the same vital remit of sound currency and low inflation, the sovereignty shared remains reflective of the collective will of national parliaments," he said.

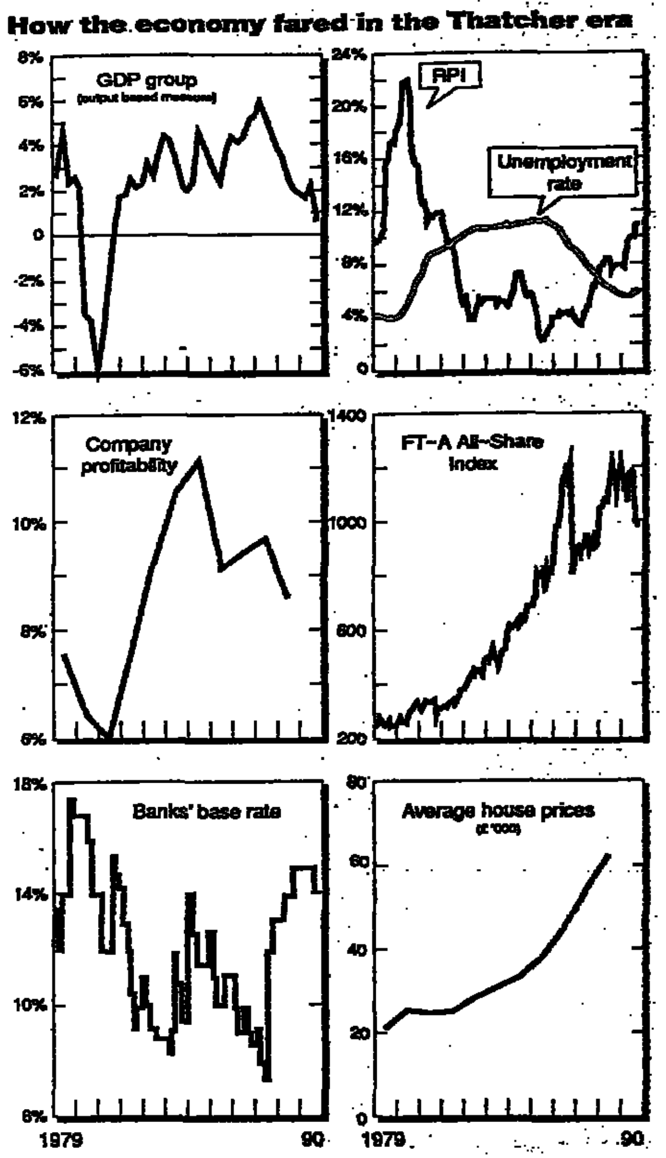
By contrast, Mr Major has so far rejected the idea of independence for the Bank of England while Mr Hurd's position remains unknown.

- Industrial policy. Here again Mr Heseltine makes the running. His book "Where There's a Will", published in 1987, underscored his belief that Britain had fallen behind other industrial nations because of the absence of partnership between government and industry. He wants to boost investment and favours co-operation between the public and private sectors in areas such as urban renewal.

He says he opposes the idea of the planned economy, but has advocated greatly enhancing the role of the Department of Trade and Industry with the secretary of state for trade and industry being put in charge of a new cabinet committee for industrial policy. The industry minister would also chair meetings of the National Economic Development Council. The influence of the Treasury in determining economic policy would be correspondingly reduced.

Mr Heseltine's interventionist ideas run counter to the creed of the past 11 years. They also cause some alarm in the City. However, he has some sound macro-economic credentials, having been one of the first Conservative politicians to warn of the dangers of rapid credit expansion during Mr Lawson's reign as chancellor.

How the economy fared in the Thatcher era



1984 Individual investors fought to hand in their applications for shares in the Jaguar privatisation. The company made big profits while the dollar was strong but earnings slid as the dollar weakened, and Jaguar was sold to Ford last year

A decade of change that turned John Bull into home-owning, shareholding, Sid

John Bull, who kept the bulk of his money in his bank account, earning no interest, has turned into Sid, the enthusiastic stag of privatisation issues. Since Mrs Thatcher came to power in 1979, the finances of the average man and woman have been changed out of all recognition.

Sid has much greater financial freedom than he did in 1979. Banks and building societies compete to offer him loans and credit cards; he can run his own personal pension; own tax-free shares in his employer; and invest overseas without the problem of exchange controls.

The tax system has been changed substantially giving Britain one of the lowest direct tax rates in the industrialised world.

The basic rate of income tax has fallen from 33 per cent to 25 per cent, while the highest rate has dropped from 90 per cent to just 40 per cent.

On the investment side, more than ever before the Englishmen's home is his nest-egg. In 1979, 55.3 per cent of homes were owner-occupied; the figure is now 66.6 per cent, according to the Building Societies Association. And those homes have substantially increased in price. The average house sold at £20,143 in 1979; its value has since risen to £65,450.

Mrs Thatcher has played her part in fuelling this property boom, by the sale of council houses, and by the maintenance of mortgage relief. But by the end of the decade, the housing market ran out of steam as did another key Thatcher policy, the push to wider share ownership.

The sale of the privatised companies was successful enough but it encouraged the belief that owning shares was all about making a fast buck. Many of the 11m private shareholders own only a very small portfolio of privatised stocks and the 1987 Crash has discouraged them from investing more widely.

Philip Coggan

CITY OF LONDON

Relief for those looking to a European future

IN THE City of London yesterday there was dismay but also relief at Mrs Thatcher's resignation – at least among those concerned with the City's evolution in the 1990s.

She was revered by many. "Emotional rather than coherent," was how one leading merchant banker described his feelings. But her departure also removes a shadow over one important area for the City's future: Europe.

Mrs Thatcher leaves a deep mark on the City. Her term in office brought momentous changes which will govern the shape of the City for a generation or more.

Her influence began in 1979 with the abolition of foreign exchange controls, a move which opened the floodgates of international money and enabled the City to become one of the top international markets and fund management centres.

That was followed with a flood of privatisations and booming markets, all of which channelled an unprecedented amount of business the City's way. But the high point was the Big Bang of 1986 when the government's threat of a monopoly action forced the Stock Exchange to break open its age-old cartel.

In retrospect, Big Bang was enormously messy and costly: it propelled banks into ill-fated alliances with stockbrokers and spawned a whole generation of yuppies who epitomised Thatcherism at its worst. But it put London at the forefront of the wave of financial deregulation which was sweeping the globe, and forced other centres in Europe to organise their own Little Bangs to keep up.

As the decade ended, the question was whether Mrs Thatcher's increasingly hostile attitude towards European integration, particularly on the financial front, would jeopardise London's lead over the Continent.

Mr Heseltine was quick to spot this danger, and he capitalised on it strongly by warning that London would be pushed into a financial backwater. Mrs Thatcher managed to quell some of the City's unease by taking the UK into the Exchange Rate Mechanism last month, but many still found her ambivalence disturbing.

All her would-be successors are seen as more positive on Europe than she. Of the three, Mr John Major is probably the favourite because of his experience with business and finance. Mr Hurd is less well-known, and there is some suspicion that Mr Heseltine, despite his championing of the City's cause in Europe, may be more form than substance.

The City will obviously want a prime minister whose economic policies enable the financial markets to flourish again, but it will also be looking to the new administration to provide the right political and regulatory framework for the City's future.

If and when the EC starts moving towards monetary union, it will be vitally important for the City to become the central market for whatever becomes the EC's dominant or single currency, as well as the home of the operating arm of the future European Central Bank.

The Bank of England has already taken steps to encourage the evolution of the markets in Ecus in London, and the recent establishment of the European Bank for Reconstruction and Development in the City was seen as a coup.

The Bank of England's own position could change as an EC central bank system evolves, although it is still not clear to what extent it would transfer its supervisory responsibilities to the new institution. Whatever happens, the Bank would remain a kind of steward over the City's affairs.

On the legislative agenda, a new prime minister may well have to consider reforming one of the few things which the City views as the excesses of the Thatcher years: the 1986 Financial Services Act which created a huge regulatory machine and threatened to throttle the markets. The City is also keen to ensure that financial directives which are currently taking shape in Brussels protect the openness of the international market place.

David Lascelles

THE ECONOMY

First battle will be against inflation

WHOEVER succeeds Mrs Margaret Thatcher as prime minister will take office against an economic background grimly reminiscent of the early years of her first term in office.

Britain is moving swiftly into recession following a rapid downturn in activity in the summer months. Inflation stood at 10.9 per cent in October. Bank base rates stand at 14 per cent while growth in unemployment, currently 1.7m after an increase of 32,000 in October, is accelerating.

Conservative government was not supposed to deliver this sort of performance. And for a period it did not. Briefly, between 1986 and 1988, it was possible to believe in a British economic miracle. Output per person in manufacturing grew at an annual 8.2 per cent in the final months of 1986. Economic growth in Britain quickened to a Japanese style annual rate of 6 per cent in the first quarter of 1988.

Mr Nigel Lawson, the former chancellor, embarked on radical tax reforms. These culminated in his reform of income tax in his March 1988 Budget which set a single upper rate of 40 per cent and a lower tax band at 25 per cent.

With hindsight it was too good to last. Domestic demand raced ahead of supply. Newly deregulated banks and building societies encouraged the nation to go on a borrowing binge that was fuelled by sharply rising house prices.

The current account balance of payments plunged deeply into the red. The deficit was to rise to £19bn in 1989.

After some delay, inflation followed. Double digit inflation, one of the dragons slain in the prime minister's first term, reappeared in August this year when the retail prices index rose at its fastest annual rate since February 1982.

With prospects now as bleak as at any time since the deep recession of the early 1980s, it is easy to overlook a series of supply side achievements in Mrs Thatcher's term of office. Taken together, they have enabled Britain at least to hold its position in an increasingly competitive world trading environment.

The unexpected decision in 1979 to abolish exchange controls was one of the government's first acts. The move spurred British managers to raise profitability now UK investors could invest abroad without hindrance.

The abolition of exchange controls was a harbinger of a trend of rolling back the state, which also included the spread of individual ownership through council house sales and the privatisation of large nationalised industries.

Legal changes and the defeat of the miners' strike were important elements in the government's promotion of the liberal free-market economy. By the mid-1980s, the government could tell itself it had created a world in which managers were able to manage and business could flourish.

But the learning curve had been difficult for both sides. The early years of Mrs Thatcher's premiership had seen the nation plunged into its deepest recession since the Second World War.

Unemployment rose from its low of 1.04m in November 1979 to a peak of 3.12m in July 1986. High interest rates and a sharp rise in the pound to uncompetitive levels cut a swathe through Britain's industrial capacity.

Against this background, few queried Mr Lawson's decision to respond to lower oil prices in 1986 with a relaxation of monetary policy and a drop in the sterling exchange rate. Inflation had fallen to a low of 2.4 per cent by July 1986, unemployment still appeared to be rising and Britain, because of its position then as an oil producer, was thought likely to suffer a pause in growth.

But with hindsight, the failure to use the oil price cut to "capture" low inflation sowed the seeds of Britain's present problems far more than Mr Lawson's later mistakes of shadowing the D-Mark or cutting interest rates after the October 1987 global stock market crash.

Mrs Thatcher's successor will have to grapple with the weaknesses in Britain's infrastructure and educational and training system, cruelly exposed by the economic boom of the late 1980s.

The ability of businesses to maintain such discipline as there was over wage inflation was dissipated by the extravagant pay increases that leading businessmen – many of whom were the prime minister's favourites – awarded themselves. With average earnings currently increasing at an annual 10.25 per cent Britain will find it difficult to maintain competitiveness, particularly since joining the exchange rate mechanism of the European Monetary System last month.

In some respects, Mrs Thatcher's era has been a period of missed opportunity. Britain undoubtedly became a richer, more enterprising and competitive society under her sway. But the relative decline continued: Italy supplanted the UK as the fifth largest industrial nation in the late 1980s. And in spite of the supply side reforms, many of the fundamental structural problems that have bedevilled British economic policy makers for the past century have remained.

Peter Norman

LABOUR

Face of industrial relations radically altered

THE labour market and trade unions Mrs Margaret Thatcher will leave behind are considerably altered from those she took on with such force in 1979, but not changed beyond recognition. The "disease" she set out to cure – a self-willed, unionised labour force – remains but in a less virulent strain.

Mrs Thatcher succeeded in her primary task of crushing the mass political and industrial power of unions, and fragmenting the corporatist labour market of the 1960s and 70s. But the past two years have shown her failure to transform permanently the British record of productivity and wage bargaining.

Many employers have now broken free of inflexible working practices enforced by union shop stewards. But now skilled workers are in short supply, and companies are still experimenting with new forms of work organisation intended to raise productivity.

The leading Thatcher reforms – compulsory ballots before industrial action and limits on secondary action – have ended the mass campaigns of industrial action of the 1970s. But the difficulties of achieving change at moderate cost in workplace negotiations remain strong in many companies.

This has helped move political debate from the ground on which Mrs Thatcher was strongest – taming union power – to topics such as training and worker involvement.

Mrs Thatcher's partial success in altering the landscape of British industrial relations can be seen most clearly in the private sector. It is here that union membership has declined most heavily from its high point of 1979.

Membership of unions affiliated to the Trades Union Congress fell from 12.2m in 1979 to 8.4m last mostly due the fall in the number of jobs in manufacturing.

The "step by step" reform of unions in employment legislation freed private industry of much secondary disruption. The balance of power was also weighed in employers' favour in the early 1980s by high unemployment and a series of defeats for unions.

Yet union influence has not slipped substantially in traditional areas of strength. Their legitimacy has been helped by the requirement to ballot members before strikes. There have only been a limited number of cases of companies unilaterally ending recognition of unions.

The public sector has been the battleground of several of Mrs Thatcher's public victories – above all in the miners' strike of 1984-85. But overall pay policy in the public sector has remained confused since the abolition of civil service pay comparability in 1981.

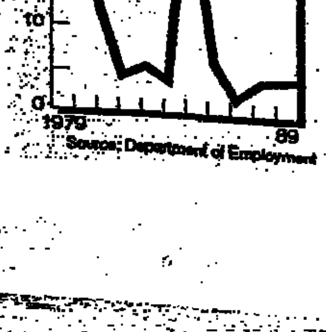
Union membership has remained high in public services, and groups such as railway and ambulance workers have shown they can retain public support while taking disruptive industrial action.

So Mrs Thatcher's achievement in breaking mass obstructions to industrial change in Britain has improved rather than transformed economic performance. She leaves behind a set of uncertainties about how the performance of British workers can now be better matched to their European counterparts.

At the heart of these uncertainties is vocational training. The Training and Enterprise Councils which Mrs Thatcher has established will attempt a free market solution. If they fail, a new prime minister may ask whether the labour market of the 1990s requires new forms of intervention.

John Gapper

Industrial disputes (working days lost)



Source: Department of Employment

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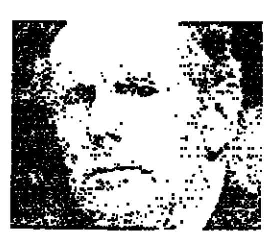
THE THATCHER RESIGNATION: BUSINESS AND SOCIETY

'She's the greatest statesman in the world and we've fired her'

Lord Hanson

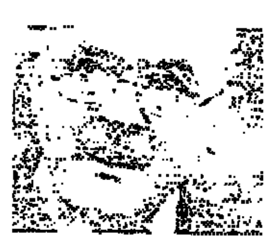
'This could be the beginning of the end of a national nightmare'

Ron Todd



'She restored among British managers the will to win'

Sir Brian Corby



'She legitimised the market economy in the UK and world'

Peter Morgan

A mixed verdict on the enterprise years

ENTERPRISE culture and wealth creation, privatisation and consumer choice, incentives for entrepreneurs and rewards for performance – the watchwords of Thatcherism have become woven into the fabric of British industry.

Few industrialists expect those threads to be unravelled by the new prime minister. Industry's views about who would be the best successor are as varied as those of Tory MPs.

The chief executive of one of the country's largest construction and property combines said: "Heseltine worries me, he has done a lot of damage. As for Hurd: I have met these foreign office types, they know nothing about industry or commerce. Major is probably the best, but he is so young."

A senior executive at an electronics company said: "The only thing John Major has done so far is take us into the exchange rate mechanism at too high a rate."

A director of one of the country's leading specialist engineering groups commented: "We have to have charismatic leadership and that means Heseltine. Hurd is too dull, not a leader. Major has not done *anything*. A Heseltine victory would make a Labour government less likely – that is very important."

Mr Alan Sugar, chairman of Amstrad said: "I am a bit ashamed to announce that until about three weeks ago I did not know who this Heseltine guy was. I have heard of Major because he has one of our word processors – he wrote the last budget with it."

Between the three candidates, Mr Sugar had no clear preference: "I hope whoever takes over can keep up her policies. Whatever happens they've got to get their act together very, very quickly to get the unity to fight off Labour."

However industrialists were not unanimous in their valuation of Mrs Thatcher's legacy to industry. Some believe it cannot be underestimated. But many others voiced hopes that a new leadership would open a more measured, less dogmatic dialogue with industry; that policies on Europe would be put on an even keel and that the government would use its resources more effectively to promote supply side of the economy, particularly in training and education.

Mrs Thatcher's most fervent supporters – the heads of privatised industries, successful entrepreneurs who rose in the 1980s, committed Tories – believe she has transformed the environment for business.

The nation's priorities have been sorted out, they say. Industry has had its pride restored and managers their authority. Wealth creation and international competitiveness have been put at the top of the agenda. Entrepreneurs and the private sector have been championed at the expense of civil service bureaucrats and the non-productive public sector.

Most executives believe that in the past decade they have been working in alliance with Thatcherism. As Mr Gary Allen, chairman of IMI, the Midlands engineering group puts it: "There has been a dramatic change in the stature of British industry around the world. The government did not achieve that change, managers achieved it. But Mrs Thatcher created an environment in which we could manage our own affairs."

His thoughts were echoed by Lord King, chairman of British Airways: "Her contribution to Britain's reovery as a nation respected in the world is immeasurable. Under her leadership we have been left alone *to run our businesses* in the inetersts of our shareholders, customers and staff and not at the direction of the government. All those who work in business owe her a great debt."

Only part of the Thatcherite transformation of industry has been achieved through direct policies, such as privatisation and a reduction in subsidies. Most has been done through indirect policies.

The Thatcher governments have forced industry to meet international competition, through the high exchange rate policies of the early 1980s and the relentless imposition of the disciplines of the international market. It has also encouraged and facilitated change, through its labour legislation and lionising the a new cadre of business leaders fed on enterprise culture.

However alongside this glowing account of the Thatcher government's achievements – an account which almost every industrialist accepts to some extent – is a more qualified judgement on the past decade. Thes qualifications point to areas where many industrialists are hopeful of change.

At its most extreme these *doubts* about Thatcherism – which are voiced privately but vociferously – run like this.

The government has become increasingly dishonest about its own role in the economy. It has intervened, through regulation and the way industries have been privatised, but it does not admit it. It has not faced the contradictions in its own policies, calling for responsible wage bargaining while still proclaiming the virtues of the market.

Only part of the Thatcherite transformation of industry has been achieved through direct policies, such as privatisation and a reduction in subsidies. Most has been done through indirect policies. The government has forced industry to meet international competition,

With Mrs Thatcher's protection the young guardians of the dogma – who have all her zeal but none of her inspiration – have risen to power as ministers, civil servants and informal advisers to impose rigid, dogmatic policies. Executives at two of Britain's largest manufacturing companies look forward to these guardians being despatched to allow what they called sensible, pragmatic discussions on issues such as energy pricing and the uniform business rate.

Executives at manufacturing companies also point to a tendency to mistake style for substance. They point with ill disguised satisfaction to the collapse of the debt laden entrepreneurs, such Ms Sophie Mirman at Sock Shop and Mr John Ashcroft at Coloroll; the way that in the mid 1980s especially the government championed the burgeoning service and retail sectors at manufacturing's expense. They allege undue preference has been *shown to the City* at industry's expense.

They are too close to the real economy to believe it has been completely rejuvenated. Companies are more internationally competitive and the decline in Britain's share of world trade in manufactures has been halted. But even so industrial output is only just past its 1979 peak, there is a large deficit on the current account and too much of the investment boom has gone into housing and services rather than plant and equipment, they say.

Most damagingly, they blame the government for allowing inflation to run out of control, forcing recession as a corrective.

What changes are industrialists expecting from a new regime? Sir Nigel Broackes, chairman of Trafalgar House, the construction, shipping and property group summed up a widespread view that "the ethos of enterprise will not change." However it is difficult to see Mr Hurd, for instance, inspiring businessmen in the way Mrs Thatcher did.

They want continuity in economic policy. As one chief executive put it: "What is the point of going through this pain if we just let up now without dealing with inflation."

None want a return to state intervention but many hope a more sensible dialogue will develop over particular issues, and not only under Mr Heseltine who has the most pronounced views about industrial policy. As one chemical industry executive put it: "Too often industry arguments are dismissed out of hand as whingeing. We should be able to have a discussion."

Executives in the electronics industry said a leadership change would open the way to a discussion about industrial policies, particularly on research and development and education and training.

Any reversal of Mrs Thatcher's tax cuts for top earners and a more stringent approach to directors' pay would produce discontent.

Some look forward to a new regime, particularly under Mr Heseltine, promoting a new relationship between finance and industry, the City and manufacturing, to overcome the alleged problems of of short-termism.

Industry also hopes Britain's relationship with Europe will now be put on a more even keel, with tangible benefits for business. Some car industry executives believe any of the three candidates approaches to European integration might help overcome French and Italian objections to unrestricted access to EC markets being given to Nissan, Honda and Toyota, the Japanese car manufacturers with UK plants.

The chief executive of one of the largest engineering groups said: "Mrs Thatcher's rigidity has managed to unite continental governments against her. A more open approach from the UK will allow others to voice their differences, we will find out that they share some of our concerns."

However foreign industrial investors who may read Mr Heseltine's criticisms of multinational companies in his book The Challenge of Europe might need reassurance about the continuity of policy of investment aids and labour legislation.

Although none disputed the drama and significance of the resignation, some old hands cautioned against over excitement. One of the longest serving senior executives in the engineering industry reflected: "With each change of government since the 1960s I have said that the new lot could not be worse than the old lot, and I have been wrong each time."

Additional reporting by Alan Cane, John Griffiths and Andrew Taylor.

Charles Leadbeater

A portfolio of winners

By Ray Bashford

Albert Fisher, the food processor and distributor, emerges as the company which has seen the most dramatic appreciation in its share price since Mrs Margaret Thatcher first walked through the doors of 10 Downing Street.

Driven by an acquisitive management the company's shares have risen from 1.39p as a moribund Lancashire fruit wholesaler to close at 109p yesterday.

The table does not include the many companies created and brought to market while Mrs Thatcher was in power. However, it is doubtful whether their inclusion would have altered the list *significantly as* many of these newcomers are labouring under the worst of the present economic conditions.

COMPANY PRICE OR SECTOR PRICE INDEX PERFORMANCE

Company name	Value at 3/5/79	Value at 22/11/90	Actual % rise
Albert Fisher	1.39	109	7761
Wilson Connolly	5.81	170	2825
Williams Hdg	8.15	230	2722
Hazlewood Foods	5.13	138	2592
Glaxo Hdg	32.19	790	2354
Alexon Group	19.42	476	2352
Mountleigh Group	3.25	79	2332
First Nat Finance	8.00	188	2250
Macallan-Glenlivet	24.23	553	2182
Southend PR	4.00	91	2175
Photo-Me Intl	12.14	260	2041
N Brown Group	9.50	177	1763
Hanson	11.01	194.5	1667
Baggeridge Brick	4.60	77	1574
Tomkins	12.90	215	1566
Halma	8.72	143	1539
M. J. Gleeson	37.00	598	1516
Whatman	25.00	370	1380
M. & G. Group	25.00	364	1356
Trade Indemnity	7.17	101	1309
Regalian Props	5.47	74	1253
EMAP	16.25	214	1217
Securicor Group A	32.34	425	1214
J. Sainsbury	22.69	297	1209
Bryant Group	7.75	96.5	1146

Source: Datastream

1987 Mrs Thatcher visited a scene of urban desolation in Cleveland, promising new initiatives to help revive industrial inner cities. The programme rapidly became bogged down in inter-departmental battles

An obsession with social policy

Alan Pike asks how successful Mrs Thatcher was with changes to the welfare state

Mrs Thatcher's successor will inherit a tradition of almost obsessive prime ministerial involvement in social policy. Her fingerprints, in the form of idiosyncratic ideas, have been detectable on issues ranging from football identity cards to the latest plans for making absent fathers pay child maintenance.

While Mrs Thatcher's close concern with social policy has never been in doubt, however, the extent to which she has succeeded in changing society in her own image is a more open question.

She can justifiably claim – and frequently has – that her governments have spent record sums on health, pensions, social security benefits and other welfare provision in both absolute and real terms. They have also, in important ways, begun to make the management of the public welfare services more efficient. They have continued to pay unemployment and other benefits, albeit with an increasing number of restrictions.

Yet the Prime Minister was never able to convince public opinion of the truth of one of the more memorable political phrases of the Thatcher years – that the National Health Service, or any other aspect of the welfare state, was safe in her hands.

This should not have come as a surprise. At the same time as she was providing continued financial support for the welfare consensus which developed during the first half of this century, the Prime Minister was promoting a contradictory philosophy – one of stand-on-your-own-feet, don't-let-the-government-decide-how-to-spend-your-money individualism.

The doctrines of wider share ownership, privatisation, council house sales and increased consumer choice did not sit in ideological empathy with the Aneurin Bevan hospital, the Herbert Morrison housing estate and all the other living monuments to welfarism.

The most obviously successful attack on collective provision came with council house sales. During the 1970s the proportion of households owning their homes on mortgages increased only from 27 to 30 per cent. Between 1979, when Mrs Thatcher came to power, and last year it rose from 30 to 42 per cent, while another 24 per cent own their homes outright. Much of this growth reflects the popularity of the council house sales policy.

Local authorities, those great hoarders of collective assets, have been denied funds to build many new council homes even though this has meant channelling public money through housing associations instead.

The privatisation of public housing has, however, been only partially successful. Housing action trusts – a Thatcherite solution to reviving decaying inner city estates which often abound with social problems – have failed. Not a single estate has yet voted in favour of transferring from local authority control to new, business-style development trusts.

The contradictions facing a government advocating individualistic attitudes while maintaining a welfare state showed clearly in the reform of the NHS, over which the Prime Minister took personal command.

It is to be restructured on more businesslike, managed-market lines from next April. Some details of the reform package were included at the personal insistence of Mrs Thatcher – for example, the granting of tax relief on private health insurance for elderly people. This infuriated the prime minister's critics, who saw the move as a petty irrelevance, and dumbfounded her supporters – why, in keeping with the Thatcherite ideology of individualism, had the opportunity been lost of recasting the entire NHS on a personal insurance basis?

The conflict between Mrs Thatcher's passionate advocacy of individualism and her retention of the institutions of the welfare state helps to explain why opinion polls show she has had little success in changing overall social attitudes.

This month's annual British Social Attitudes survey demonstrates growing support for more government spending on collective welfare services – with the greatest support for higher spending coming from the professional and managerial classes, who have gained most from tax cuts.

These groups have always done well out of state services – particularly education – and Mrs Thatcher apparently over-estimated the extent to which they thirsted for change.

The language in which the Thatcher government has debated social issues has softened in the past year or two. Next year's health reforms are now promoted for their managerial efficiency rather than their free-market potential. The concerned face and calm voice of Mr Tony Newton, the social security secretary, projects a different image to Mr John Moore, his Thatcherite predecessor, who last year proclaimed "the end of the line for poverty" in a speech which did nothing to preserve his ministerial career.

Whichever of the leadership candidates succeeds Mrs Thatcher, this shift towards a less ideological and more caring presentation of Conservative social policies can be expected to gather pace.

Measured against Mrs Thatcher's known affection for family values, she must consider the state of British society after her 11 years in office a disappointment.

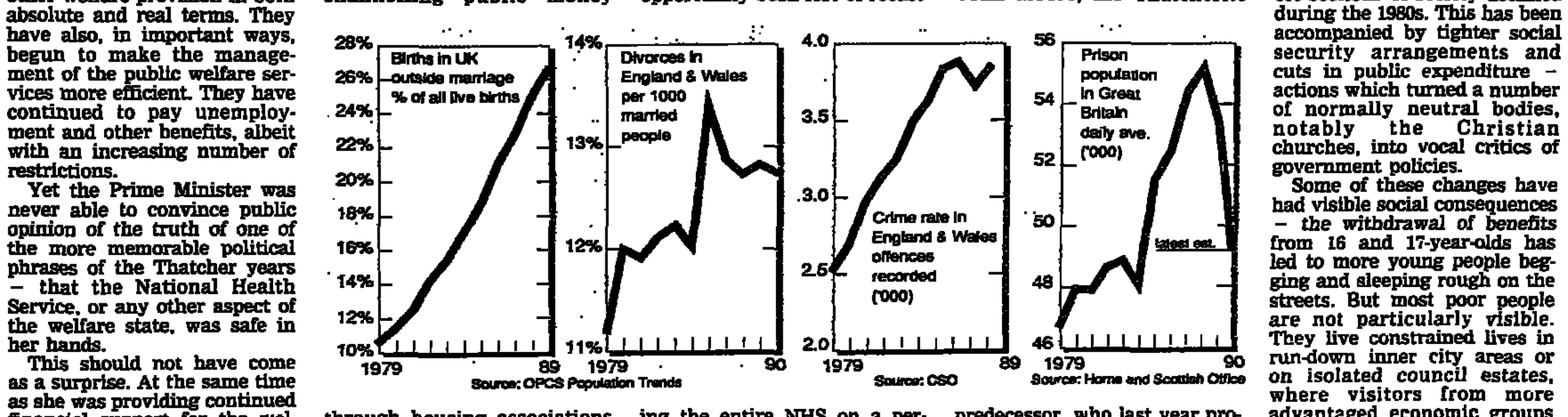
Britain shares with Denmark the highest divorce rate in the EC. More than a quarter of British children are now born outside marriage. Mrs Thatcher's period of office has contained some of the most serious inner-city rioting in post-war Britain. Even the crime rate – an emotive subject to Conservative governments – is the highest on record.

One of the most enduring social questions, however, will concern those who have not done well out of them.

However poverty is measured, and there is little consensus about that, the relative economic position of the poorest sections of society declined during the 1980s. This has been accompanied by tighter social security arrangements and cuts in public expenditure – actions which turned a number of normally neutral bodies, notably the Christian churches, into vocal critics of government policies.

Some of these changes have had visible social consequences – the withdrawal of benefits from 16 and 17-year-olds has led to more young people begging and sleeping rough on the streets. But most poor people are not particularly visible. They live constrained lives in run-down inner city areas or on isolated council estates, where visitors from more advantaged economic groups seldom have cause to go.

Has Mrs Thatcher, with her emphasis on consumerism and individualism, turned those her policies have left behind into a new underclass, detached from the goals and expectations of mainstream society? If the answer is yes, the question of how to reconnect the disadvantaged with the rest of society is one of the most urgent ones facing her successor.



PROFESSIONAL INVESTORS

Prospect for improved levels of investment

Richard Waters reports on a possible future wave of foreign money into the UK

PROFESSIONAL investors and their advisers believe Mrs Thatcher's demise could improve the prospects for investment in the UK – although most are suspending judgment until the policies of her successor become clear.

The change of prime minister will not bring a new wave of foreign investment into the UK. But international investors say it will prevent capital being exported in the short term, and could provide a base for a fresh wave of investment in the future.

Mr Nick Knight, an economist at Nomura International, the largest Japanese investment house, said: "The Japanese are certainly not sellers, and could in some circumstances be buyers." Research among Japanese investors by Nomura had shown that they would be more, rather than less likely to buy UK shares in the event of a change of prime minister, he added.

Mr David Roche, international strategist at Morgan Stanley in London, added: "This is not in itself enough to start an inflow. But it would stem any outflow."

Investors pointed to a number of factors that could bolster the UK economy under a new prime minister: stronger ties with the European Community, the greater possibility of a Conservative victory at the next general election and the prospect of policy changes that could lead to greater investment in infrastructure and industrial training.

However, many UK investors claimed the change would have little effect on UK economic prospects. Mr Jeff Kettlewell, of Lucas Industries' pension fund, said: "I don't think it makes any difference at all."

This view was echoed by, among others, Mr Geoffrey Browne, in charge of investments at Sun Alliance. "I can't see any fundamental changes that are likely to take place," he said.

Among those investors who believed Mrs Thatcher's departure would improve investment prospects, possible closer contacts with the EC were seen as the most positive development. "The UK had nowhere else to go but into Europe," said Mr Roche. "It will now have a seat at the top table in Europe, which is very, very important."

Mr David Hale, chief economist at Kemper Financial Services in Chicago, added: "A British prime minister who could work with Europe enhances the prospects of the UK being involved in a global recovery in 1992."

Few – particularly outside the UK – claimed much of an understanding of the likely *economic policies of the three* candidates.

But there was general agreement that few changes were likely.

Apart from the *likelihood* that none of the three would overturn the general thrust of current policy, changes are thought to be largely constrained by Britain becoming a full member of the European Monetary System and the fact that a steep recession is already underway.

While acknowledging the achievements of the Thatcher era, few large institutions had much time yesterday to get sentimental over her passing – a fact made clear by the bounce in the markets.

"Financial people are pretty cold and heartless," admitted Mr Hale.

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Farewell to a leader

IT WAS a shabby end to a unique career. Damaged by the economic disarray that resulted from her earlier disagreements with Mr Nigel Lawson, stabbed by Sir Geoffrey Howe, so long a close political friend, bedevilled by her instinctive mistrust of her European partners, assaulted by the ambitions of Mr Michael Heseltine and abandoned by the backbenchers she had put in parliament, Mrs Thatcher's political life expired yesterday. Whatever the future may hold for the UK, it is most unlikely to include a political figure so dominant, so determined and so decisive. The cliché is apposite: this is the end of an era.

Many will feel Mrs Thatcher's departure was belated; more will regret its manner; but nothing can dim the glitter of her career. The first woman to lead one of the major western nations, the longest continuously serving prime minister since the Earl of Liverpool, the tamer of the trade unions and the doughty fighter for western values, Mrs Margaret Thatcher cut a figure of far more than merely national significance.

She has been the most remarkable peace-time prime minister since Gladstone, able to transcend the dwindling significance of her country and even to do something to reverse its relative decline. Her legacy may endure. But her successor is most unlikely to match her presence, either on the domestic or world stages.

It is difficult now to recall the scene when Mrs Thatcher came to power. Many electors must have no memory of it at all. At home, the winter of discontent and rising inflation had raised questions about the UK's governability. Like some Third World country, the UK seemed capable of effective government only under the aegis of the IMF. Abroad the Soviet Union cast a menacing shadow across Europe and the rest of the globe. The west seemed both enfeebled and beleaguered. Much has changed. Mrs Thatcher played a leading, often decisive, role in bringing those changes about.

Allied to her political skills was the determination of the visionary and the ruthlessness of the outsider. Her opponents sneer that her vision was lower middle class. She called it "Victorian values": self-reliance and enterprise among the people, retrenchment and reform from the government.

Sheer determination

Mrs Thatcher's principal contribution to her governments was her sheer determination. She paid a high price to lower inflation; she fought determined battles against trade union power; she saw off the copious opposition to the introduction of medium-range nuclear weapons; and she took huge risks in the conflict over the Falklands.

The list of changes her governments have brought about is as long as it is extraordinary: imposition of law upon the UK's hitherto chaotic labour relations; defeat of the great trade union barons; abolition of wage, price, credit and exchange controls; reform of taxation; sale of council houses; privatisation; and introduction of a national curriculum. To this should be added not the least of her contributions: the conversion of the Labour party to market economics, out of its need to imitate her, and to the European Community, out of its need to oppose her.

On the world stage her achievements have been little less significant. She stood shoulder to shoulder with President Reagan in his opposition to what many Soviets now admit was an "evil empire"; she recognised the significance of Mikhail Gorbachev's accession to power; she embraced the principles of the single market programme and was thus brought to accept the constitutional changes that revivified the EC; and she fought against the excesses of the common agricultural policy. Most of all, perhaps, she symbolised an era in which the invincibility of socialism was revealed as a myth.

Her flaws were as large as her virtues. She admires success, but is blind to the plight of the struggling; she has a global vision, but is a convinced Gaullist in a Europe that has moved beyond De Gaulle; she loves the US, but remains suspicious of the UK's continental partners; she has rolled back the frontiers of the state, while further centralising political power; she could be supportive and loyal, but also overbearing and insensitive. Her virtues made her the formidable figure she is, but her flaws rendered her third term in office unhappy, unsure and, ultimately, disastrous.

Mrs Thatcher's political corpse has the words "poll tax", "exchange rate mechanism" and "Europe" engraved upon its heart. The poll tax was her greatest single mistake, the fruit of hubris and her indifference to injustice. The exchange rate mechanism was her nightmare. It divided her government and cost her a chancellor. Europe was the source of her greatest agony. It led to the resignation that brought her down and may yet shatter her party.

Yet what made her vulnerable was the resurgence of inflation. The government as a whole revelled in the economic expansion of 1986-88. The chancellor was the much praised architect of the policies that made that expansion possible. But as prime minister she was inevitably held responsible for the ultimate results.

The failure of macroeconomic policy was a tragedy. It undermined the credibility won at such great cost in terms of unemployment in the early years and put back the fight for price stability in the UK, by perhaps as much as seven years. To have imposed one severe recession may have been a misfortune; to have to impose a second is worse than mere carelessness.

Market's central role

It is no wonder that the public and the Conservative party became weary of her faults and annoyed by her virtues. It is no wonder, too, that she has been dismissed more ignominiously than was Churchill, because by her own party. It loved her for her victories; but this was not enough to carry her through her failures. In the last resort, they wanted a change.

What will remain of the Thatcher legacy? The central role of the market will presumably not be called into question; nor privatisation; nor reform of trades unions. Incomes policies will not be re-imposed; nor will marginal tax rates rise to the levels of the 1970s; nor will exchange controls be re-introduced; nor will the great local government housing empires grow to their former state.

None the less, much of what she wished to bequeath will perish with her. She hoped to reform local government finance; but the poll tax is doomed. She was suspicious of the EC; but her legacy looks likely to be a far greater UK commitment to its further integration. She feared the role to be played by a united Germany; but a united Germany is now setting the pace in Europe. She was an atlanticist; but the prospects for the relationship between the US and Europe are dimmer than before.

Her successor has something to live up to. From her he must learn that temporising is inexpedient, but that adherence to principle must be tempered by wisdom. He should learn, too, that all politicians fail in the end, and they fail most if they stay too long.

Happy is the land that needs no strong leader. The UK was not such a country; but perhaps, because of her, it now is. One must hope so, for it is most unlikely to enjoy such leadership again within a generation. Here was a Thatcher; when comes such another?

THE THATCHER RESIGNATION

Joe Rogaly assesses Tory electoral prospects under the heirs apparent

A chance to revive party fortunes

It is a cruel thing to have to say, after the courage, grace and dignity displayed by Mrs Margaret Thatcher in a scintillating performance in the House of Commons yesterday, but her resignation could transform the prospects of the Conservative party. What it needs now is unity under a new leader and a modicum of economic good fortune during 1991. Given those quite attainable conditions, the Tories are better placed to win a fourth general election victory today than they were 24 hours ago.

This is probably true whichever of the three second-round contenders becomes the next prime minister, although it is likely to be quadruply true if the winner is Mr Michael Heseltine. A series of opinion polls bears this out: to take one recent example, the Harris poll in last Sunday's Observer showed 38 per cent of voters preferring Mr Heseltine as Tory leader, against 19 per cent for Mrs Thatcher, 9 per cent for the foreign secretary, Mr Douglas Hurd, and 5 per cent for the chancellor of the exchequer, Mr John Major. The figure for Mrs Thatcher may appear to belie my basic proposition, but many other polls suggest that the simple fact of a new face at the top could help save the Conservatives.

We do not, however, live by polls alone. Parties lose support when they show themselves to be in disarray. Internecine strife kept Labour out of office after 1979; fratricide destroyed the alliance of liberals and social democrats that sought to replace Labour during the subsequent decade. The Tories will certainly lose next time if they are not quickly welded into a united force.

Here Mr Heseltine has a problem. Devoted admirers of Mrs Thatcher will take a while to forgive him for being the instrument of her downfall.Four years of cruising the constituencies have won him the admiration of many party workers, but others, possibly a majority of activists, may nurse a sense of outrage at what they perceive to be an injustice done to a great world leader. More to the point, many of the uncompromising economic liberals in the parliamentary party, especially the members of the No Turning Back group, would regard the election of Mr Heseltine as a denial of the achievements of the past 11½ years.

It is, however, a problem that might be soluble with skilful handling – although it may take a few months. Mr Heseltine's conduct of his own long campaign for the leadership indicates that he is well aware of the need to woo his party's liberals, not to mention the Euro-wary adherents of the Bruges group. He is no wet. He does not represent any particular wing of the party but rather a strain of Conservative thinking that would be quite familiar to continental Christian democrats. He is plainly anxious to crown his election as party leader, if he wins next week, with a general election victory.

On this basis you might reasonably expect him to appoint a politically balanced cabinet, retaining as many as possible of the present incumbents in post. His manifesto for the next election would certainly contain suggestions for partnership with industry and plans for regional development authorities that would be absent from any conceivable Thatcher manifesto, but it might contain some items, such as an independent Bank of England, that should be attractive to free market liberals. He could never wholly satisfy those of the latter who have acquired religious fervour since 1979, but he could hope to placate a sufficiency of them. Traditional Tory constraints would then apply.

In such circumstances Mr Heseltine would be an effective prime minister. He might also be the best placed of the three contenders to deliver a general election victory. He is undoubtedly on the make; that element of his character is never absent, even in private. Mrs Thatcher's pristine radical fervour apart, most politicians are at least a little bit on the make. Some just hide it better than others. Mr Heseltine does have the dubious advantage of believing in himself. He would therefore be just as pro-active, just as hands-on, as his immediate predecessor and, in his own businessman's way, quite as nationalistic.

It is to his credit that he has managed to keep his campaign alive for so long, producing a stream of ideas that may be too bounteous for some tastes but that nevertheless constitutes a clear Conservative programme. He has the distinction of being less tainted by the poll tax (he voted for its Scottish version) than either of his rivals. He has made revision of this most unpopular impost the flagship of his leadership campaign. On Europe, on industrial policy, and on local government he has propounded an alternative to the prevailing pure Thatcherite orthodoxy.

Those who cannot stomach that alternative at any price will turn to Mr Hurd or Mr Major. Neither of them can offer a complete fresh start, coming as they do straight from Mrs Thatcher's cabinet room. Neither is a charismatic performer on TV, although both can be formidable, live, on the hustings. Both promise to unite the party; it is likely that either of them would be able to achieve a rallying-round more quickly than would Mr Heseltine.

There the similarities end. Mr Major is regarded as the more safely Thatcherite of the two, although as to this, Mr Norman Tebbit, the self-appointed guard-dog of the creed, has been heard to grumble that the chancellor is not quite 100 per cent reliable. Mr Hurd represents the receding generation of politicians, Mr Major the arriving one. Mr Hurd is convincingly free of any evident excess of ambition. Mr Major's ambition has never been in question; his weakness, if there is one, is that he is accustomed to being liked and perhaps too easily affronted when he feels that he is not. The foreign secretary, who has a diplomat's imperviousness to affront, has had no known experience of economic management; the chancellor has had a great deal – he was chief secretary once – and has even suffered a few difficult weeks at the foreign office.

The overriding advantage of both of these contenders is that neither would try to do much, although you can never be sure of this remaining true. If Mr Heseltine does not win on the second ballot next Tuesday, he may fall victim to the preferential system of voting that would be applied in the third ballot next Thursday. One of the two representing the Continuing Tendency – Mr Hurd or Mr Major – might then float in on a sea of second preferences.

Which is to be preferred? Mr Hurd has the advantage of looking like a prime minister; Mr Major looks like an apprentice for the job. The foreign secretary would undoubtedly present an avuncular image. He has some political thinking to his credit, for which refer to his speeches as home secretary, when he spoke of social cohesion, and of the active citizen – someone who has done well out of capitalism, and puts some personal time and resources back in. The chancellor is genuinely possessed of a degree of concern for those at the bottom of the ladder; his last budget favoured charitable giving. Mr Hurd went off the rails in his undemocratic bill to keep the security services free of all external accountability, but he is an excellent foreign secretary, balancing, with the consummate ease that comes from a lifetime of preparation, what he calls the realities of British politics against a proper sense of the future of the country within the European Community.

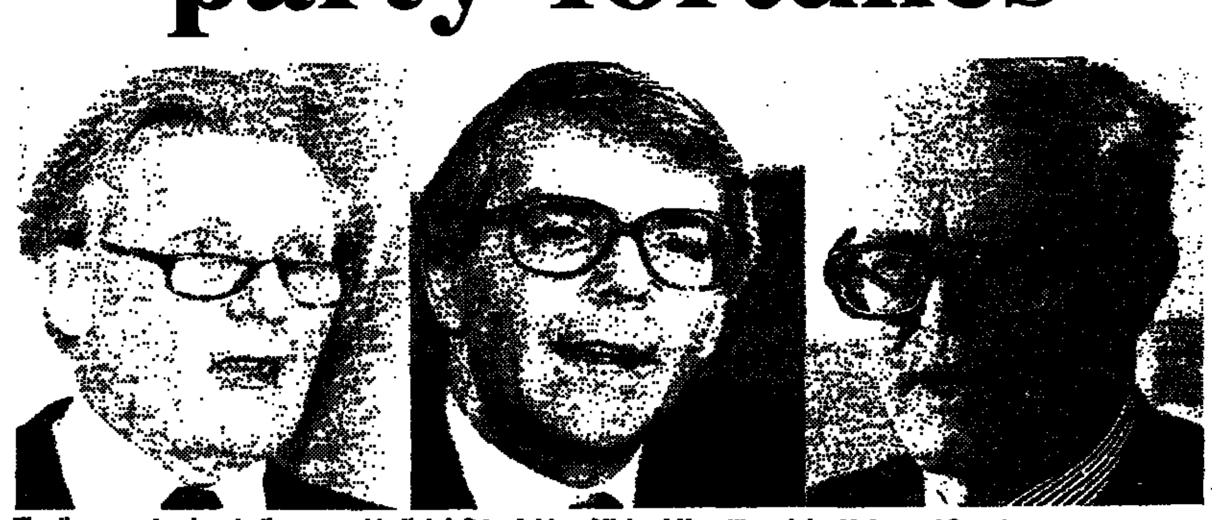
Of the two, Mr Major is probably the more suspicious of the EC. He is, however, an extremely careful operator, taking the trouble to win support for each move in advance.

From the point of view of the future of the Conservatives, so far, so good. Any of the three candidates could hope to enjoy the support of the other two if he won. With a slight questionmark over Mr Major, who may have to swallow his own hard Ecu, any of them could agree an approach to the forthcoming inter-governmental conferences on European political, economic and monetary union that would be acceptable to all Tories save the most rabid anti-Europeans among them; whether it would be acceptable to the EC would be a matter of negotiation.

The most likely outcome of such negotiations is a compromise allowing those of the other 11 members of the EC who choose it to have their single currency while Britain waits until the time is ripe for a parliamentary vote in favour. As to selling such a package to the party, Mr Hurd is the most emollient, but Mr Major is perhaps the least suspect of the three from the point of view of the doubters. Depending upon whether Mrs Thatcher herself observes a tactful silence (for she will still be around), the prospects for party unity are therefore, shall we say, fair.

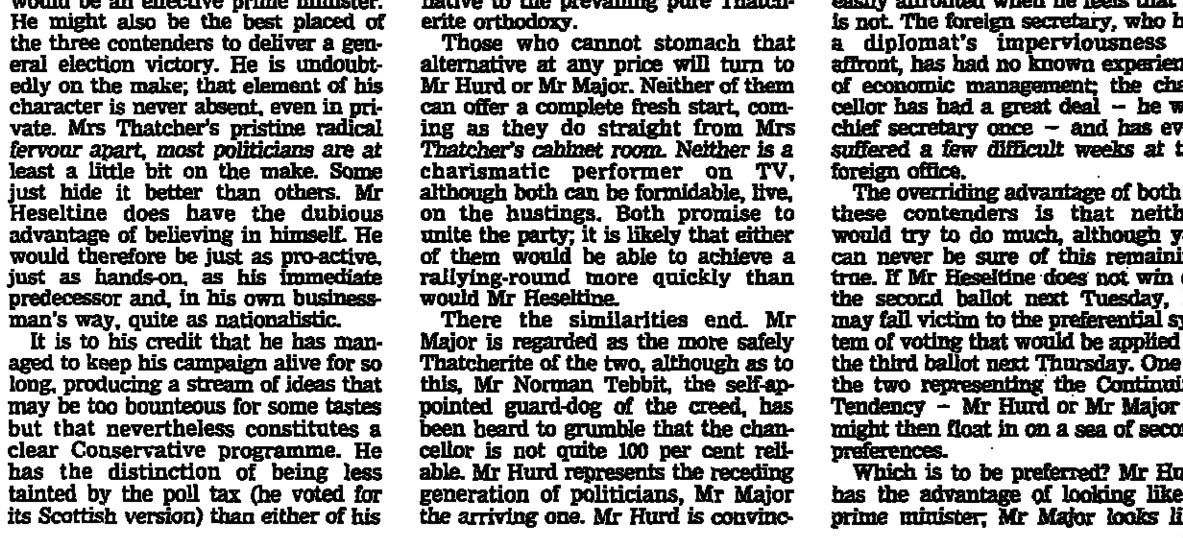
The remaining little matter is the the economy. The accompanying charts tell the story. At the time of the 1983 election, inflation, and with it the mortgage rate, had been falling steadily – relative to the 1979 figure – for a couple of years. Mrs Thatcher won. The graph showing the 1983-87 picture is nothing like so dramatic, but by election time the key rates still end up about where they had begun four years previously. Mrs Thatcher won. The third graph shows what went wrong this time; it goes a long way towards explaining the prime minister's downfall.

Everything depends upon whether the dotted line, showing the Treasury projection, holds true. If it does, then the basic determinant of British voting behaviour, the wallet, will work to narrow the gap between the Tories and Labour. A tax bribe is not out of the question. Yet even this might not work if the Conservatives do not show a united front for at least half a year or if the new prime minister fails to give evidence of the return of competent government. But, given unity and competence, the stock markets and the bookmakers are right. The Conservatives may now be on their way to returning to the position of dead certs to win next time.



The three contenders in the second ballot: left to right – Michael Heseltine, John Major and Douglas Hurd. Economic deterioration goes a long way to explaining the prime minister's downfall

Inflation and mortgage rate (rebased to 100)



Countdown to a very Conservative coup

Philip Stephens describes the brutal struggle which led to the prime minister's resignation

When it came it was with all the ugliness of a palace coup. Mrs Margaret Thatcher, perhaps the most successful Conservative prime minister for a century, will leave Downing Street in inglorious defeat. Her departure ends one of the most brutal struggles in modern political history.

It has been a drama in which senior ministers have unashamedly delivered proclamations of loyalty to the television cameras before slipping off in cabals to plot how best to remove her; in which Mrs Thatcher herself employed all the tricks of a political street-fighter to stay in power; in which she misjudged the seething discontent that her autocratic leadership of the cabinet and the government had sown within sections of her party; in which she failed, until too late, to recognise her own political mortality.

Sir Geoffrey Howe's devastating indictment in his resignation speech, and Mr Michael Heseltine's decision to stand against her unleashed a torrent of resentment.

Mr Heseltine – the man who had first charged her with threatening the foundations of cabinet government when he walked out in 1986 – saw his moment. The 152 Tory MPs who voted for him then loaded the gun. Her cabinet put it to her head.

Above all, the struggle has shown how a government, incredulous at the prospect of losing power after 11 years, could assassinate its leader in the hope of clinging on.

"It's awful but what else can we do?" one senior minister said at the height of the turmoil. He looked embarrassed, guilty. A junior colleague was less reticent: "She's been greedy, greedy with power. She's stayed on for too long."

As long as she was winning, Mrs Thatcher's convictions, resolution and determination were a source of admiration. When she began to fail they became prejudices, stubbornness and obstinacy.

She had prepared in advance for the possibility that she might not win outright on Tuesday. Her campaign managers had told her they expected the votes of 230 of the 372 Tory MPs. But they had warned also that the figure might fall to 210.

She needed a clear margin of 56 votes to win outright. Mrs Thatcher had to be ready to go to a second round. She was determined to do so.

In between a whirlwind of meetings at the European security summit in Paris, she prepared a brief statement along those lines. Her resolve was stiffened by Mr Bernard Ingham, her press secretary, and Mr Charles Powell, her private secretary. But it was clear by Tuesday afternoon that many of her cabinet colleagues – including Mr Hurd and Mr Major – had severe doubts. They would advise her to withdraw if she did not win outright.

Lord Whitelaw, a party grandee and one of the "men in grey suits", shared their view, as did Mr Timothy Renton, the chief whip. The message was relayed to Paris. By mid-afternoon Mrs Thatcher knew that she would face intense pressure to resign before a second ballot. She decided to pre-empt it. When the result came through she appeared quickly on the steps of the Paris embassy to announce she would battle on.

Then, without warning, she forced Mr Hurd and Mr Major to offer their public support. As her proposer and seconder they had been assured by Mr Kenneth Baker, the party chairman, that no comment would be expected from them until Wednesday.

But Mr Hurd, in Paris with the prime minister, was told by Mr Powell that the plan had changed. He was expected also to make a brief statement on the embassy steps. He had two choices. He could disavow his prime minister or support her. Reluctantly, he chose the latter.

Mr Major, recovering at his home in Hertfordshire from a wisdom tooth operation, had to put out a similar statement.

Mrs Thatcher, it seemed, had outsmarted them.

When she returned to London at midday on Wednesday she moved quickly to mobilise. Mr George Younger, her campaign manager, was asked to stand down when he suggested that she would lose against Mr Heseltine in the second round.

Mr John Wakeham, the energy secretary, was brought in to head a new, expanded team. Mr Norman Tebbit, the former party chairman and a confidant, persuaded her that the failure first time around had stemmed from a lack of organisation and commitment. She would win on the second ballot, when all she needed was an outright majority.

But this time the cabinet she had dominated for so long was already fighting back. Mr John MacGregor, deputed to canvass views, ascertained that 12 of 21 cabinet ministers were convinced Mrs Thatcher should resign. Seven or nine, depending on the interpretation, were ready for her to stay. But even of those, most were reluctant. As the day wore on their support crumbled. Only two were ready to stand by her come what may.

Five of them – Mr Chris Patten, Mr William Waldegrave, Mr Norman Lamont, Mr Tony Newton, and Mr Malcolm Rifkind – had already met the previous evening to consider an ultimatum. Their host, Mr Tristan Garel-Jones, a minister at the Foreign Office, had been quietly testing support for Mr Major and Mr Hurd. Yesterday it was announced that Mr Garel-Jones would run Mr Hurd's campaign.

On Wednesday morning neither Mr Major – who spoke with Mrs Thatcher by telephone – nor Mr Hurd were prepared to threaten to resign. But they were quietly confident that she would be brought round.

For a time it seemed they would be wrong. At a lunchtime meeting Mr MacGregor spoke of "disquiet" in the cabinet and did not mention any figures. Mrs Thatcher drew consolation from a report from Mr Cranley Onslow that the executive committee of backbench MPs which he chairs was divided.

Only Mr Tim Renton, the chief whip, was ready then to relay the blunt assessment which resounded through the lobbies and corridors of the House of Commons: that her support was collapsing.

She had her reply ready: "Who else can beat Heseltine?" she thundered. Nobody answered. By the time Mr Hurd arrived after lunch she was determined. He agreed to act again as her proposer. Mr Major agreed by telephone to second her. The prime minister emerged from Downing Street in sparkling form. "I fight on, I fight to win."

It took just a few hours for Mrs Thatcher to realise that she had lost touch with reality, that her supporters on the right of the party were seeing the world through eyes focused on her earlier triumphs.

Her cabinet ministers were aghast. They were convinced that the impending contest with Mr Heseltine would engulf the party in a civil war which might consign it to opposition for a decade.

Mrs Thatcher unwittingly invited the truth. She summoned her ministers one by one to her room at the Commons. The aim was to explain her campaign strategy. She was horrified at what she heard.

One by one they told her, sometimes bluntly, sometimes obliquely: yes, they would support her if she stood again; but no, she could not win. If she tried, history would remember her as the prime minister defeated by the man she saw as set on destroying her inheritance. Colleagues said Mr Patten was ready to resign. Mr Kenneth Clarke, the education secretary, was seething.

Then came the final blow. Mr Wakeham, one of her most trusted colleagues since the death of his wife in the Brighton bombing, came back to report his soundings among MPs. Yes, the cabinet was right. She was doomed. She had to withdraw.

A depressed Mrs Thatcher returned to Downing Street. She would sleep on it.

At 10.30pm the courtyard of the House of Commons was still full of ministerial cars. In scattered groups cabinet and more junior ministers discussed mass resignations if Mrs Thatcher did not change her mind.

At midnight one senior minister returned to his office. "I don't know what the hell is going on," he said down the phone. "I don't think she'll stand." But you are a loyalist? "I know, but she can't win, she can't win. I don't think that she will stand." At 7.20am yesterday Mrs Thatcher decided she would not.

In the Commons chamber yesterday they sat, all of them, next to her and behind her, ashen-faced and embarrassed. Mrs Thatcher, her voice cracking with emotion, defended her record in a vintage performance.

It was politics.

THE THATCHER RESIGNATION

Her character was her destiny

Joe Rogaly chronicles the rise and fall of Margaret Thatcher

Mrs Margaret Thatcher personified the aspirational element of the English character during the 1980s. Her departure so soon after the close of that momentous decade draws a line under the most radical period of Conservative government this century. Her achievements in the early years and the failures that have marred her third term have been both personal and historic. For most of her political life – until the very end – she has been the beneficiary of unprecedented good fortune, the winner in a peculiarly British game in which winner takes all.

To this must be added a unique strength of character, without which she would not have been able to put her victories at the table of political chance to such effective use. Character, with her, is all. To a cast of British politicians not overblessed with the virtues of statesmanship, she has brought dignity, application, consistency, and an almost childlike sincerity. Her reward has been to earn the respect of many and the devoted loyalty of a formidable few.

Once elected to the highest office in May 1979, hers became the dominant name in British politics. Such has been the force of her presence that what comes after her will for many years be defined in terms of her absence. She has presented a totally new British face to the world, not only as the first woman leader of a national political party, and the first female prime minister, but also as the first post-war Tory to make some headway in applying the principles of economic liberalism to the strategy of government.

Her decade-plus in No 10 Downing Street began before and ended after President Ronald Reagan's eight years in the White House. Both were inspired by the new right, and both sought to diminish the welfare state, in both cases with only limited effect. The two leaders appealed to a nationalism more brash than their respective economies could sustain; in the end it was this very nationalism, set against the strengthening movement towards a more cohesive European Community, that helped bring Mrs Thatcher down.

The reason is plain. Her political instincts were fashioned at a time when the dying embers of the British empire were turning to ash. She was not alone in being unable to adjust to the new realities. During her youth the Germans – and for a while the Italians – were the enemy. The Americans were the trusted allies. Britain was the centre of civilisation; its saviour and protector at whatever dreadful cost. As her initially sparse knowledge of foreign affairs developed, her head turned naturally westwards across the Atlantic towards the effervescent capitalism and military superiority of the US, and away from the uncertain social democracy of continental western Europe.

When the communist bloc began to disintegrate and its newly-liberated conservatives appealed to her image for inspiration, her vision leapt across EC territory, over the heads of the maddening French and the untrustworthy Germans, to Poland, Hungary, Czechoslovakia and the other former satellites of the Soviet Union. Here there was understanding. Here were fresh converts to the principles of the market, the essence of freedom. The public homage paid her by some of these newly-liberated fellow travellers of anti-communism at the party conference in Bournemouth in October 1990 was one of the moving moments of her life.

Born on October 13 1925 in Grantham, Lincolnshire, Margaret Roberts was the younger daughter of a grocer, Alfred Roberts. He was a self-made man, a liberal alderman and a father whose tenets of integrity, hard work, self-reliance and consistency of opinion have been strong influences throughout her career. Every step was an effort; she thrived on the process of overcoming obstacles. During the second world war she read chemistry at Oxford, in itself an achievement for a girl of her origins. In 1951 she married a businessman, Denis; she read law and passed her Bar exam in 1953. She had joined the university's Conservative Association, becoming its president in 1946, and fought a couple of campaigns in Dartford, then a hopeless constituency for a Tory, before being returned as MP for Finchley in 1959.

Two years later she was parliamentary secretary to the minister of pensions, a post she held until the Conservatives were defeated in 1964. She did well under the new leader of the party, Mr Edward Heath, being eventually promoted to his shadow cabinet in 1967. When he won the 1970 election, on a liberal platform not unlike the one that later became known as Thatcherism, she was made secretary of state for education and science. In the eyes of her contemporaries she was still, however, the token woman in the government.

That she might have remained, saving two factors – her performance in ministerial office and her most outstanding asset, her extraordinary good fortune. As a minister she behaved like any ambitious politician fresh to departmental duties. She fought hard, with some success, to increase her budget. She accepted the existing legislation and approved a greater number of schemes for comprehensive schools than any education minister before or, indeed, since. What brought her to public attention, however, was her dogged application of a Treasury edict, that free milk should no longer be given to primary schoolchildren aged eight or over. "Mrs Thatcher, milk snatcher," became the first of many slogans of hatred applied to her throughout her political life.

She began to form an alliance with Sir Keith Joseph, a tortured intellectual of the right; when Mr Heath performed his famous U-turn, back towards the corporate state and the imposition of controls over prices and incomes, Sir Keith was appalled. He later confessed the major errors, as he saw them, of the government in which he had served. Some while before the Heath government fell in February 1974, Mrs Thatcher became part of Sir Keith's increasingly influential circle.

It was at this point that lady luck went into high gear. Nobody could have expected a middle-ranking politician who had served in little more than the department of education to succeed to the leadership. Since she was a woman, such an expectation was not entertained. But events conspired in her favour. Mr Heath lost a second election, in October 1974, yet declined to stand down. Had he done so any one of a number of prominent male colleagues might have succeeded him; Mrs Thatcher would probably not have made the attempt.

As the manoeuvring proceeded the men wrote themselves out, one by one. Sir Keith made an ill-judged speech about cycles of deprivation among the working classes. The implication was that these were inbred. Mrs Thatcher would shake her head sadly about this speech when reminded of it 11 years later. Even Sir Keith quickly realised his folly. He told her he would not stand; she said, very well then, she would. The chairman of the party, the then Mr William Whitelaw, felt obliged to support Mr Heath on the first ballot. Mr Edward du Cann, chairman of the 1922 committee, said, for reasons of his own, that he would not be a candidate.

English nationalism, combined with a sense of the value of individual effort, shaped her early years. Greater forces, some beyond her understanding, prevailed in her final years

This left Mr Airey Neave, an anti-Heath backbencher who was later murdered by the IRA, without a candidate. He put his organising talents, and the list of supporters already garnered, at Mrs Thatcher's disposal. She trounced Mr Heath on the first ballot and clinched it against a pile of second-rounders.

As leader of the opposition Mrs Thatcher was at first cautious, nervous about the quicksilver tongue of the Labour prime minister, the then Mr Harold Wilson. She perservered. She remained characteristically hard-working and dogged. Strongly influenced by a think tank founded by Sir Keith, and loyally served by ex-Heathites such as Sir Geoffrey Howe and the later ennobled William Whitelaw, her team evolved a statement of principles that was set out in The Right Approach to the Economy. Its essence was monetary and fiscal prudence, the detachment of the trade unions from the management of national affairs, a reduction in the role of the state, and an increase in consumer choice. It became a foundation document of Thatcherism.

Every opposition leader depends on the fortunate chance of the government destroying itself. Labour duly obliged. After 1976 it belatedly acceded to control of the money supply and public spending, but its conversion came too late. The winter of 1978-79, marked by the rampant arrogance of the public sector trade unions, destroyed the party's hopes for all of the subsequent decade, and very nearly the party with it. Mrs Thatcher's first election victory was therefore the product of Labour's gross incompetence; her two subsequent victories, in 1983 and 1987, were at least as much due to the split in Labour and the rise of the Social Democratic party and its alliance with the Liberals as to any public conviction that her policies were best.

Thus the Conservatives won 13.7m votes, 43.9 per cent of those cast, in 1979, and a fractionally smaller share – 42.4 per cent – in 1983, holding steady, at 42.3 per cent, in 1987. With an opposition in disarray, the Tories were triply blessed. In assessing Mrs Thatcher's years in office there is less to be said about "the mood of the country" or the conversion of the voters than there is about the uses to which she put the opportunities placed in her hands by the fates.

These were considerable. The British polity was in a terrible mess in the summer of 1979. Inflation was rising rapidly. Unemployment was climbing. It was taken as read that the trade unions were a power unto themselves, having defeated the efforts of both Labour and Conservative governments to bring their activities within the rule of law. The question – "Is Britain ungovernable?" – was seriously debated.

Mrs Thatcher did not set out to answer it by more of the same. The soothing balm of consensus government was not for her. Faced with a rising fever of stagflation she did the opposite of what the conventional wisdom of the dismal profession demanded. She put stiffening into the backbone of her then chancellor of the exchequer, Sir Geoffrey Howe, and axed public spending, at one celebrated meeting demanding an extra £1bn cut in spite of murmurings from those present that the country would fall apart. Unemployment rose above 3m, manufacturing output fell by almost a fifth, and the new prime minister's rating in the polls dropped to 23 per cent. But by 1983 inflation, which had peaked at 22 per cent, was down below 4 per cent and the Conservatives' poll ratings were up again.

In consequence, intentions to vote Tory were increasing even before her outstanding display of leadership during the Falklands war cemented her image, both at home and abroad, as the woman of iron. Her celebrated table-thumping battles to reduce Britain's contribution to the European Community budget were victorious; her growing and global fan club multiplied. The election victory of 1983, against a Labour party led by the wholly unsuitable Mr Michael Foot, seems, in retrospect, to have been almost too easy.

If Britain's military triumph in the South Atlantic was the most dramatic event of her first term, the vanquishing on a peacetime battlefield of the National Union of Mineworkers was the outstanding victory of her second. The NUM had previously been regarded as invincible by any government; its defeat, and the subsequent ignominy of its Marxist leader, Mr Arthur Scargill, did at least as much as any legislation to reduce the force and status of trade unions to manageable proportions. The willingness of Mrs Thatcher to remain steadfast throughout a storm was a significant factor in the defeat of both General Galtieri and Mr Scargill.

Such has been the force of her presence that what comes after her will for many years be defined in terms of her absence. She has presented a totally new British face to the world

The economic achievements initiated during her first two terms are well-known. First under Sir Geoffrey and then under Mr Nigel Lawson the tax system was simplified. Income tax was reduced, and a shift made to indirect taxes; the Howe increase in the rate of value-added tax to 15 per cent laid the foundation. Privatisation, which began slowly with the National Freight Corporation, was steadily extended, until it encompassed steel, gas, telecommunications, airports . . . the list is long, and familiar. Support for private industries, whether sectors or companies, was phased out. In the financial sector, controls were abolished and today's liberal financial regulatory regime brought forward.

These advances towards an increasingly liberal domestic economy within a world marketplace in which Britain's role was once again worthy of respect, began to seem unstoppable. So did she. She survived, although others did not, the terrible bombing of the headquarters hotel of the party conference in Brighton in October 1984. The effect, however, was to oblige her to live behind an unprecedented security barrier.

Political shocks, such as the argument over whether an American or a European-led rescue should be mounted for the Westland helicopter company, which resulted in Mr Michael Heseltine's departure from the cabinet in 1986, left her apparently unruffled. Nothing could unsettle her, it seemed. This rule applied as the original 1979 cabinet dissolved away through sackings and resignations. The prime minister even recovered, although only temporarily, from the resignation of Mr Nigel Lawson as chancellor last October. Yet each new departure left her more alone, until in the end there was no steadying voice in the cabinet, no Lord Whitelaw, no Mr Lawson, and, at the last, no Sir Geoffrey Howe. Each unfriendly departure was, in essence, a replay of the argument over Britain's place within the EC.

By the time of her 10th anniversary as prime minister on May 4 1989, it could be seen by others, but not by herself, that she had been in office for long enough. The liberal yearnings were coming up against the ineradicable socialism and social democracy of the Celts and the northern English. Opinion polls indicated that after a decade of her persuasive governance more than half the British people still held to what Mr Robert Worcester, chairman of Market and Opinion Research International, describes as "essentially socialist values".

Yet one of Mrs Thatcher's many achievements has been to knock the socialism out of the Labour party. If Mr Neil Kinnock, the Labour leader, were to become prime minister tomorrow, he could do little to reverse privatisation or rekindle the flames of militant trade unionism. He has been obliged to move towards the centre.

The centre is where, in action, Mrs Thatcher has nearly always been. In aspiration, she has been on the liberal right. This has proved increasingly untenable.

For while her governments have made no serious inroads on the welfare state, they have spoken as if that is what they wanted to do. Opted-out schools and self-governing hospitals were both intended to increase consumer choice and defeat localised bureaucracies. They actually constitute a tinkering with health and education services that have otherwise survived intact. Truly radical measures such as the national curriculum have thus been denied their proper share of the limelight. The social security system has been tightened up, with some cruel effects, but it is not in the process of being dismantled. The breaking of the link between benefits and the level of average earnings has made a significant impact on expenditure – and benefits – but the link was not long-established when Mrs Thatcher took office.

All this "rolling-back of the frontiers of the state" has led to the creation of new counter-democratic mechanisms. The powerful men (and women?) in charge of the new industry watchdogs – Oftel, Ofgas, and so on – could turn out to be less accountable, although sometimes more effective, than the chairmen of nationalised industries who preceded them. The powers of ministers and civil servants have been vastly strengthened by an explosive expansion of delegated legislation. Opted-out schools come directly under the scrutiny of central government officials. Publicly subsidised housing estates move off the books of local councils – and on to those of the Housing Corporation, which is ultimately answerable to central government.

The censorship of television and video recordings, the entrenchment of the secrecy of the security services (even to the point of excluding a public interest defence), and the determined neutering of local government are part of the same pattern. Taken together, the measures constitute a rolling-forward of the frontiers of the state, or at least a centralisation of government. For most of her period of office, the reins of control have all led, in the end, to the prime minister's desk. The politician globally famous for her espousal of freedom has exercised more personal power than any of her fellow heads of democratic governments.

After the 1987 victory Mrs Thatcher's liberal Conservatives, being human, suffered the fate of all who have had too much power for too long. They became over-confident, even arrogant. They went too far. The rich have become richer – and some of the poor, the young homeless, and the street beggars self-evidently poorer. The reduction of the top rate of income tax to 40 per cent in 1988 seemed to accentuate this tendency. The poll tax, which is flat rate, regressive, and universally condemned, was pushed forward regardless of the warnings of several of Mrs Thatcher's colleagues. It is the most unpopular tax within the memory of the present generation. Its introduction has coincided with an increase in inflation and interest rates to heights that have led many to ask: is she back where she started? The onset of a recession has prompted a second question: was it all worth it?

In the past few years the cycles that determine the fates of politicians have become asynchronous. The economic cycle jars with the political; her ideological cycle with society's. Most destructively of all, the continental vision of EC development has, not for the first time, failed to inspire a British prime minister. Mrs Thatcher's innate Gaullism led her to resist majority voting as a mechanism of the single market, until her economic liberalism, combined with the pressure of her colleagues, overcame her initial doubts. She signed. Now a similar division of emotional, ideological, and, at the margin, rational, considerations is splitting the Tory party. English nationalism, combined with a sense of the proper value of individual effort, shaped the early years of this shopkeeper's daughter. Greater forces, some beyond her understanding, prevailed in her final years.

It is too easy to sum up Mrs Thatcher as either the saviour of her nation or the scourge of a caring society. On some issues, such as protection of the environment, her heart is with the angels; in that particular case her hard business head precluded the carrying-through of her heartfelt logic. Again, she has a genuinely spiritual side to her nature, but hers is the religion that preaches individual use of the talents and the subsequent personal decision to distribute the fruits thereof. It says little on the lines of "the last shall be first". She has measured freedom by the spread of markets, by the power of the individual consumer, by the extent of success. That is her triumph. She has been blind to civic and constitutional rights, and too often deaf to the protestations of the non-successful. She does not understand weakness, co-operation, or the spirit of community. That has been her failure.

OBSERVER

Just the way it was

■ "There are two ways of making a cabinet. One is to have in it people who represent all the the different viewpoints within the party, within the broad philosophy. The other way is to have in it only the people who want to go in the direction in which every instinct tells me we have to go . . . We've got to go in an agreed and clear direction. As prime minister I couldn't waste time having any internal arguments."

That was Margaret Thatcher in an interview with The Observer newspaper in February 1979 – before she became prime minister. Nobody quite believed her then and indeed her original cabinet was formed quite disproportionately of Heathites. Gradually she formed one more of her own mould. The irony is that it should have been her own cabinet that finally persuaded her to stand down.

Brush off

■ My own first inkling that something was well and truly up between the Prime Minister and Sir Geoffrey Howe came at a dinner party in Claridges a couple of years ago. The Queen was there and a large spread of the royal family. At the after dinner drinks, the Foreign Secretary began talking to a journalist. Mrs Thatcher came up and grabbed the journalist for herself. After about quarter of an hour she moved on. Sir Geoffrey had stood by and resumed: "As I was saying before I was so imperiously interrupted..." He was talking about the need to take Europe more seriously. Denis Thatcher sat in a corner sharing a joke with Edward Heath.

Modest Hurd

■ It is a measure of how much the party has changed that one of the leading grandees is now regarded as Douglas Hurd, and perhaps he is. Yet that is not how he used to see himself. In his early interviews he would say that although his father had been a Tory MP and his grandfather before him, he could never aspire to the grandee category. In that group of Cambridge men who subsequently became senior ministers, including Sir Geoffrey Howe and Lord Jenkin of Roding, Hurd saw himself as a very modest member. The potential grandee was Sir Antony Buck, now the backbench MP for Colchester North.

Watch my lips

■ One of the groups likely to be most affected by Mrs Thatcher's departure is the British theatre, which has produced more than its share of anti-Thatcherite plays in the last few years. What will our dramatists turn their pens on next? Perhaps a clue is provided by an opening at the Hen and Chicken Theatre in Islington next week: "Margaret III, Parts two and three". The company is called Lip Service.

Nostalgia

■ The man who has had most nightmares – if that is his way – about the Conservative Party's method of electing a leader is Viscount Whitelaw. After all, he knows at first hand. If he had stood in the first ballot against Edward Heath in 1975, Mrs Thatcher would almost certainly not have become leader. He was too loyal to Edward Heath to put his own name forward in time to stop her.

In more recent years, Whitelaw has said that one of his remaining ambitions in politics was to prevent the system being used, at least while the party was in office. He knew that it was capable of producing strange results. The trouble is that the idea that one day the party's grandees would go to the Prime Minister and persuade her gently but firmly to step down was never really on. It was not on in the past either. It was a carefully calculated myth that through the "customary processes of consultation" a natural leader would "emerge". Somehow it seemed to place the party closer to God and divine right. Odd that there should be some nostalgia for it now.

Clever man

■ Still, we should spare a thought for Lord Whitelaw.

"The men in the grey suits did it, in the tea room, with the ultimatum."

He is one of the few grandees that the party has left. I once heard him telling a meeting of the Child Poverty Action Group that he himself was a product of a one-parent family on the grounds that his father had been killed in the First World War.

He had another talent: to conceal his intelligence and to give the impression of bumbledom. In general, he succeeded; he has one of the sharpest minds in the party. His trick was not to show it too often.

Poor Nick

■ Looking back, one reflects how politics really is a matter of ups and downs – and chance. Take Nicholas Ridley, a Thatcherite before Mrs Thatcher who consistently voted against the interventionist policies of Edward Heath. Yet he was given the most junior of jobs in Mrs Thatcher's first government: low down at the Foreign Office. Still, he came up with a solution for the Falklands that, if accepted, would have avoided a war. He favoured the islands being ceded to Argentina, then leased back to Britain. Ridley was howled down by both sides of the House of Commons.

Gradually he made it almost to the top of the cabinet to become one of Mrs Thatcher's most trusted advisers. It is a matter for speculation whether any of the great domestic political events of the last few weeks would have happened if Ridley had not given his ill-fated interview to the Spectator last July. That was what brought the arguments about Europe out into the open. His enforced resignation deprived the Prime Minister of an ally that, we can now see, she could not afford to lose.

In the family

■ Odd, too, that father and son should have played a role. It was Dominic Lawson who conducted the Ridley interview. Father Nigel had already begun to rock the boat by his own resignation last year. Lawson père is an ex-editor of the Spectator. And the coincidences go on. When the Tories were last in big trouble over the leadership, it was the Spectator which published the story of what went on behind the scenes. Iain Macleod, as editor, denounced the Tory magic circle. The article was called "What happened", though Macleod commented privately that it would been more accurately entitled "Some of What Happened".

I can only now dimly remember the parts that he cut out before publication, though in conversation he described the modest-looking Sir Alec Douglas-Home as the "most arrogant man he had ever met". It was the refusal by Macleod and Enoch Powell to serve under Douglas-Home that led to the present rules for electing a Tory leader being devised.

Worth a bet

■ Meanwhile in Dublin the bookies have been offering some interesting combination bets. The best has been a 28/1 shot on Mrs Thatcher and Charles Haughey going before Easter, a change in the leadership of the Irish opposition, plus a white Christmas. Two of the premises have already been fulfilled: a white Christmas is forecast and after the shenanigans about the Irish presidency, Haughey's position is none too secure. It looks as if the bookies were giving money away. And in the context of Anglo-Irish relations, the big survivor seems to be Ian Paisley who may see off Haughey as well.

Malcolm Rutherford

FINANCIAL TIMES
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A message well received: George Bush enjoys an easy rapport with troops in festive mood for Thanksgiving

Bush plays walk-on role in the sands of Saudi Arabia

By Peter Riddell, US Editor, in Dhahran

The Commander-in-Chief prepares the troops for war in the sands of Saudi Arabia.

THIS suggested itself yesterday as the title for a spectacular military painting as President George Bush made a series of carefully staged and prepared visits to US and British units, including the "Desert Rats" Seventh Armoured Brigade.

At Dhahran airport, now a large military camp, the scene was like an air show, with nearly 2,000 troops in between press stands and aircraft of many types. The mood was lighthearted, even festive, on *America's Thanksgiving Day*, as forces from surrounding units, all carrying gas masks and water bottles, waited in the sun and waved to US television cameras.

Mr Bush appeared in shirt sleeves flanked by the Democrat and Republican leaders of Congress.

He spoke both as Commander-in-Chief and as a decorated Second World War pilot, recalling his own Thanksgiving Day 46 years ago in the Pacific.

The president enjoyed an easy rapport with the young *troops, with whom he ate* Thanksgiving turkey lunch. His simple message about the need to resist Iraqi aggression and the dangers of appeasement was well received.

He left the forces in little doubt that they might face action. "We won't pull punches. We are not here on some exercise. This is a real world situation. And we're not walking away after our mission is done until the invader is out of Kuwait. And that may well be where you come in."

Mr Bush had several audiences – the troops themselves, the television viewers back home in the US for whom it was shown at breakfast time and Congress, whose support will be crucial for any decision to take military action.

Congressional leaders were suitably supportive yesterday. It was, after all, the president's day.

Mr Tom Foley, Democratic Speaker, said that if the president decided to take action without prior discussion, Congress would be very concerned, but he welcomed the present policy.

In the crowd at Dhahran were Royal Air Force technicians from Leeming in North Yorkshire, England. They were content with their mission – unworried by the absence of beer though impatient with the lack of women.

They were interested in the fate of Mrs Margaret Thatcher, Britain's prime minister. Before the news of her resignation, one RAF junior technician said it was all very well seeing Mr Bush, but "what about Mrs Thatcher or royalty *doing a bit of cheering for us.*"

The news about Mrs Thatcher spread through the lines.

At a bunker near the Kuwaiti border, one US Marine said to Mr Bush: "I thought she'd duke (fight) it out" – to which the US president replied: "So did I."

The British response was more phlegmatic. A Royal Engineers major said: "The general feeling among the guys is one of curiosity – curiosity more than concern."

THE LEX COLUMN

A brisk farewell to an era

Yesterday's 34-poin. jump in the FT-SE on news of Mrs Thatcher's surrender was an appropriate reminder of the unsentimental nature of market forces. The race may now involve three horses rather than two. But the market's chief bugbear, uncertainty, is greatly reduced. In terms of its immediate preoccupations, *there is less difference between* the contenders than between any one of them and Mrs Thatcher.

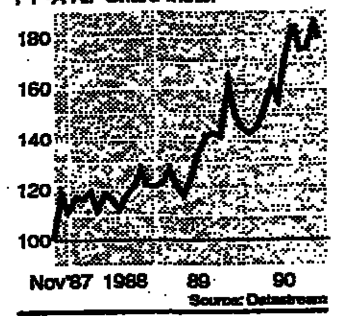
The perceived advantages of change can be briskly enumerated. Since the new prime minister will be more pro-European, the road should be open to higher sterling and lower interest rates. He will be more able to patch up the Tory party, with the possible proviso that he is not Mr Heseltine. He will thus stave off the threat of a change of government, which remains the market's most basic concern.

As for the candidates' views on more specific matters, ranging from industrial policy to the role of the central bank, speculation is largely fruitless. Mr Heseltine's opinions on every *conceivable subject* are known, but have been formulated in isolation. The views of the other two may have been somewhat suppressed in recent months. In any case, there seems little chance of immediate radical change in economic *policy, since whoever wins will* be chiefly concerned with promoting internal harmony.

Since Sir Geoffrey Howe resigned, the FT-SE has risen 100 points. This is an elegant demonstration of how the market is supposed to work, reacting to the threat of upheaval and recovering on its arrival. The chief risk is now that it might get ahead of itself. Forward sterling is now discounting base rates of 11.5 per cent by March. But if the watchword of the new regime is to be *safety first, good news* cannot be guaranteed either.

Rothmans Intl

Share price relative to the FT-A All-Share Index



British Gas

The grey monopolists who run the UK's gas supply business have not done too badly this year as asset traders. Last March, they contracted to buy Consumers' Gas of Ontario for C$1.1bn, which looked a fair but also quite a full price at the time. Since then, if the strong recent performance of US gas utility shares is any indicator at all, North American gas assets have climbed in value. This is good news not least because the company probably has a lot more high-risk takeover and exploration activity ahead of it in the 1990s.

The scale of the task ahead of British Gas over the next few years should not be underestimated. Yesterday's interims, showing historic cost profits of £22m, were slightly academic, given that British Gas makes almost all its money in the second half. More interesting was the sheer size *of the capital budget the company faces.* Even before allowing for Consumers Gas, British Gas is talking about capital expenditure of perhaps £2bn per annum between now and mid-decade, half of it on exploration and production.

Granted, British Gas could make £1.2bn of taxable profits this year, and with net debt at only £934m its borrowing capacity is very wide. Self-evidently, though, the company cannot go on growing its dividend by 17 per cent, as it did at the interim stage. The long-term rate at which dividend growth settles down depends just as much on British Gas's unproven international exploration talents as it does on the gas regulatory regime in the UK.

Rothmans

Rothmans now has a bigger cash mountain than Hanson or GEC, not to mention a rather classier set of operating assets and brand names. But as the stock market should know by now, Rothmans is in no hurry to spend its £708m on large acquisitions: the one it has on the go, P.J. Carroll, will cost only £66m. As for distributing the money to shareholders, if yesterday's interim increase is anything to go by the full year bill will only come to £51m-odd. The contrast between the huge resources and the meagre pay-out is just one of those Rothmans eccentricities which investors will probably just have to live with as long as the company *is 68 per cent con*trolled by the Rupert family and their Swiss investment vehicle, Richemont.

So far, outside shareholders have had little cause for complaint, especially with latest earnings per share growing at 13 per cent. True, the slight drop in the Rothmans tobacco profit margins at the interim stage - from 17 per cent to 16.4 per cent - was a reminder that the company is a long way from being as profitable a cigarette-maker as Philip Morris. As for its interests in Dunhill and Cartier, it is hard to feel entirely confident that the luxury goods market will escape recession, with a lot riding on Japanese spending. But given the quality of the Rothmans portfolio, the only thing that would make the shares look significantly overvalued, *even* on the current price of about 10.2 times 1991 earnings, would be some big diversification. And that seems very unlikely.

Davy

*On the basis of Davy Corpo*ration's figures yesterday, the two-thirds slump in its market value in the past five months could be slightly overdone. The £45m write-off on the North Sea contract is certainly startling in relation to shareholders' funds of £102m. But there seems no immediate prospect of the group going bust. Its traditional net cash surplus has fallen at the mid-year to a modest deficit, but should be restored by the year end assuming the North Sea job is finally completed. And though the interim dividend has been passed, there were reserves technically available to pay it, as there should be for the final.

The longer-term question is twofold: whether Davy can break with its more grandiose traditions and settle for a more risk-averse approach to larger contracts, and whether it is in any case big enough to survive as an independent entity. The former cannot yet be counted on, given Davy's accident-prone history. The best hope for it, certainly, lies in the recent crop of disasters. And if the group is too small to compete with the US giants of process engineering, it could surely be sold off for more than yesterday's market value of £89m. Meanwhile, if yesterday's provisions prove adequate and the final dividend can be paid, the yield on that alone is 11 per cent on yesterday's price of 75p.

THATCHER RESIGNATION

Equities and £ give up early gains

By Peter Marsh, Economics Staff, in London

BRITISH financial markets reacted yesterday to Mrs Thatcher's resignation announcement with a mixture of relief and regret. Sterling, equities and gilts all jumped on news of her imminent departure but then fell back as the implications of of a three-way leadership contest sank in.

Business and industry leaders paid tribute to Mrs Thatcher's achievements, but some expressed hopes for a more measured, less dogmatic dialogue with industry and improved relations with the rest of the European Community.

By the end of the day the pound had lost most of its early gains, closing in London nearly 1 pfennig down at DM2.9100. Against the dollar, sterling was little changed at $1.9690.

Market commentators explained the relatively muted effect on sterling by the apparent inevitability of Mrs Thatcher's fall. "As we look back over the past few weeks, the Thatcher effect has been ebbing away," said Mr Alan Davies, head of economics at Barclays Bank.

The small impact on sterling yesterday was helped by low worldwide foreign-exchange trading, mainly due to the Thanksgiving holiday in the US.

On financial markets, initial relief that Mrs Thatcher's successor might stand a better chance of winning the next general election, keeping out Labour, was dissipated later when both Mr Major and Mr Hurd said they were standing in the next round of the leadership contest.

This was interpreted as helping the chances of Mr Heseltine, who as a prospective prime minister is viewed with greater nervousness in financial markets than the two cabinet ministers.

Industrialists expressed no clear preference among the candidates. The chief executive of a large construction group said: "Major is probably the best, but he is so young." A director of a leading engineering group said: "A Heseltine victory would make a Labour government less likely – that is very important."

On the London stock market, the FT-SE index jumped by about 30 points on Mrs Thatcher's statement, dropping back later to close at 2,128.0, up 1.7 on the day. Gilts fell back similarly, with the December long-gilt future contract being quoted last night at 86.09, just above the opening level though well up on Wednesday night's close of 85.30.

On the money markets, Mrs Thatcher's resignation sparked fresh speculation that a new prime minister might cut the 14 per cent base rate in response to growing signs of a UK recession.

The Bank of England tried to damp these expectations by lending the banking system £390m ($764m).

London stock exchange, Page 33; Currencies, Page 40; World stocks, Page 42

Brazil plan unlikely to unlock IMF loan

By Stephen Fidler, Euromarkets Correspondent, in London

A BRAZILIAN proposal to eliminate arrears on its foreign bank debt, outlined in New York this week, holds out little prospect of a resumption in interest payments to banks this year.

It also stands little chance of *unlocking a $2bn standby loan* from the International Monetary Fund, which has been held up pending tangible progress in negotiations with banks. Talks between Brazil and the main creditor banks resume on Monday.

Brazil owes about $8.3bn in interest arrears on $44bn of medium and long-term bank debt, having not paid any since July last year. The government had previously refused to pay interest until a comprehensive debt restructuring had been signed.

Brazil now says it is willing to pay 15 per cent of the arrears this year – but not until an outline accord with banks has been reached. Such an outline would take at least two months to agree, according to bankers.

Brazil is willing to pay a further 25 per cent of the arrears once the agreement is completed, supposedly by the end of next year's first quarter.

The banks had asked Brazil to pay 33 per cent of the overdue interest immediately and a further 50 per cent at the end of the first quarter

The proposal, put to banks by Mr Jorio Dauster, chief debt negotiator, also suggests the payments would only apply to about $6.4bn in arrears owed on direct loans to the government, implying an initial payment of less than $1bn. It would not be paid on almost $2bn of interest owed on loans made to others and guaranteed by the government.

It calls for the rest of the overdue interest to be rolled up as capital and paid off over 14 years.

On this, Brazil would pay an initial 3½ per cent interest for three years, rising to 4 per cent for the next two years, then to 9 per cent for the last nine years. The difference between the payments in the first five years and 9 per cent would be capitalised and paid off between 2001 and 2005.

"This is capitalisation squared," said one banker.

According to western offi*cials the proposal was not* widely regarded as a sign of progress in the talks with banks and therefore probably would not unlock a $2bn standby credit from the IMF. The issue is likely to be on the agenda of financial officials of the Group of Seven, due to meet in the US next week.

The western officials added that Brazil's original agreement with the IMF – its letter of intent – would probably have to be revised.

Commuters hear news with resignation

By Ivo Dawnay in London

FROM EARLY morning they gathered at Downing Street and outside the Palace of Westminster. Small huddled groups in the drizzle, their instinctive antennae already high on expectations of history in the making.

They did not wait long. *When the news came at 9.37am* it flashed across London, then the country, then the world by a grapevine far beyond the mundane methods of the media.

At underground stations announcers relayed the news spontaneously. At one London station, the guard regretted a signal failure, then added: "The prime minister has resigned". His message was met by a laugh and then a sombre silence.

Elsewhere taxi drivers heard on their radios. In the West End, the traffic ground to a halt as drivers leapt from their cars to confirm the news with neighbouring motorists.

At Madame Tussauds, visitors found the news on a one word note – "Resigned" – laid at the foot of Mrs Thatcher's waxworks model.

As the flowers began to arrive at the official residence of their leader, secretaries at Conservative Central Office just half a mile away sobbed into handkerchiefs.

Back at Westminster, the *crowd was swelling as police* put up restraining barriers in Parliament Square.

Inside Parliament, moods swung from desolate shock to boisterous high spirits to anger and joy. But even opponents of the woman who had dominated public life for 11½ years appeared near incapable of grasping the enormity of the event.

"It must have been like this when Queen Victoria died,"one office worker reflected.

In the lobbies and cafeterias of the Commons, MPs hungry for details joined journalists to harass Cabinet ministers for details of how the news was broken.

Among the Tories, there was little overt rejoicing. Some of the prime minister's most vigorous opponents wiped their eyes and confessed a *hearfelt* sense of guilt at her undoing. A fierce Thatcher partisan spat: "The termites have finally felled the oak".

While other backers of the "best peace time prime minister of the century" also admit*ted a deep sense of relief.* "Yesterday, the mood was pure depression," said one nervous loyalist. "Today, it is sadness but exhilaration that the crisis is now over."

Many, nonetheless, expressed distress at the manner of her going. "It is a tragedy – almost a Shakespearean tragedy – for a marvellous leader who was entitled to end her service with honour," reflected Sir Eldon Griffiths, a veteran Tory.

Liberated from the chains of loyalty, Cabinet ministers were also now plunging into the ring with discreet endorsements of their new favourites. "This is not for quotation," was the frequent line. "But it is public knowledge that I am firmly behind Douglas [Hurd]."

It was public now.

After Mrs Thatcher's spirited performance in the Commons, emotions intensified markedly. Following what was seen as a masterly performance, one seasoned neutral observer commented: "The predominant emotion now seems to be: 'In the *name of God, stay*'."

Elsewhere, in the corridors Mrs Thatcher's diehards could be heard muttering "Judas" as opponents passed by. But others were relishing the battle to come. "We are all men in grey suits now,"smiled one Tory MP, actually dressed in a blue one.

Exactly 27 years to the day after the assassination of President John Kennedy, parliament was living an event of almost similar enormity in British political life.

It seems beyond doubt that for the generation known as Thatcher's Children, November 22 will be the day when they ask each other: "Do you also remember exactly where you were on the day, she finally resigned?"

Depressing truth dawns

Continued from Page 1

before.

A new campaign team was established

What they had not told her was that 12 ministers of her Cabinet of 21 were totally convinced that she must resign or split the party.

That of the remaining nine, perhaps only two or three were unequivocally committed to her cause.

She had sought to pre-empt them on the steps of the British Embassy in Paris with a defiant pledge to beat Mr Heseltine next week.

She had misjudged both the mood of her ministers and the speed with which her support among Tory MPs was crumbling.

It was only when she began to meet each of her Cabinet colleagues did she realise that her position was lost.

Mr Chris Patten, the environment secretary, was ready to resign. So too was an enraged Mr Kenneth Clarke, the health secretary.

Their message had been orchestrated over dinners in London town houses, in huddled conversations in the smoking room of the House of Commons.

Even her strongest supporters, including Mr Norman Lamont,the chief secretary to Treasury, did not disguise their gloom.

As ministers continued to gather in groups in around the Palace of Westminster, Mrs Thatcher left for Downing Street in a mood of deep depression.

Her most trusted Cabinet colleague Mr John Wakeham had confirmed the judgment of his colleagues. She would sleep on it, she told one of them. But she must have known.

Leaders' mixed reaction

Continued from Page 1

mission) president (Jacques Delors) immediately said his overwhelming feeling is one of the highest esteem for the prime minister despite the differences and disagreements," said Sir Leon Brittan, the senior British member of the Commission and a former Thatcher cabinet minister.

President François Mitterrand wrote a letter to Mrs *Thatcher in which he said that* she had "marked an important moment in the history of her country and also of Europe".

Mr Valéry Giscard d'Estaing, leader of the centre-right UDF grouping and former president, lavishly praised Mrs Thatcher as a great lady and compared her with Winston Churchill as the greatest British prime minister of the past 50 years.

But he then expressed the hope that Britain would now become more deeply involved in the process of European construction.

Prime Minister Toshiki Kaifu said Japan was losing a valuable friend with the resignation.

"It's very unfortunate that such a prominent leader is stepping down from the forefront," Mr Kaifu said.

Mr Bush talked of his "high regard for Mrs Thatcher. We'll obviously work with the next prime minister, he said."

"In this everybody in America would agree – that Mrs Thatcher has been an outstanding ally for the US."

He said that "knowing their fibre", the British will "stay right on course with us".

Mr Bush said he was certain these close relations would continue with Britain, although "on a personal basis I'll miss her because I value her counsel".

WORLDWIDE WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	19	66	Berlin	C	5	41	Caracas	C	28	82	Faro	F	14	57
Algiers	C	17	63	Biarritz	C	9	48	Casablanca	R	15	59	Florence	F	21	70
Amsterdam	S	7	45	Bombay	S	31	88	Chicago	S	2	36	Frankfurt	C	5	41
Athens	S	21	70	Bordeaux	F	8	46	Cologne	S	8	46	Geneva	C	4	39
Bahrain	S	24	75	Boulogne	F	8	46	Copenhagen	S	3	37	Gibraltar	S	15	59
Bangkok	F	32	90	Brussels	S	7	45	Corfu	F	20	68	Glasgow	S	3	37
Barcelona	F	13	55	Budapest	F	11	52	Dallas	Fg	18	64	Helsinki	S	-12	10
Beirut	–	–	–	Buenos Aires	F	31	87	Dublin	S	3	37	Hong Kong	S	23	73
Belfast	S	4	39	Cairo	F	25	77	Dubrovnik	C	19	66	Innsbruck	C	6	43
Belgrade	S	22	72	Cape Town	S	22	72	Edinburgh	S	3	37	Inverness	S	3	37

		°C	°F			°C	°F			°C	°F			°C	°F
Islamabad	F	19	66	Madeira	F	18	64	Milan	R	10	50	Nicosia	S	24	75
Istanbul	S	19	66	Madrid	F	8	46	Montreal	R	1	34	Oporto	S	10	50
Jakarta	C	32	90	Majorca	S	15	59	Moscow	C	1	34	Oslo	Sn	-5	23
Jersey	F	8	46	Malaga	S	15	59	Munich	R	3	37	Paris	Fg	3	37
Johannesburg	S	29	84	Malta	F	23	73	Nairobi	F	19	66	Peking	S	15	59
Lima	C	20	68	Manchester	C	3	37	Naples	F	21	70	Prague	R	3	37
Lisbon	F	11	52	Manila	C	31	88	Nassau	C	26	79	Reykjavik	F	4	39
London	C	5	41	Melbourne	F	18	64	New Delhi	–	–	–	Rhodes	S	21	70
Los Angeles	S	11	52	Mexico City	F	27	81	New York	F	5	41	Rio de Janeiro	F	36	97
Luxembourg	R	4	39	Miami	C	19	66	Nice	F	17	63	Rome	F	20	68

		°C	°F			°C	°F
Salzburg	C	5	41	Tenerife	Dr	21	70
San Francisco	S	13	55	Tokyo	S	13	55
Seoul	C	8	46	Toronto	R	3	37
Singapore	F	31	88	Tunis	S	24	75
Stockholm	S	-4	25	Valencia	S	15	59
Strasbourg	R	5	41	Venice	C	7	45
Sydney	S	20	68	Vienna	C	7	45
Taipei	F	24	75	Warsaw	C	5	41
Tangier	F	14	57	Washington	S	4	39
Tel Aviv	[illegible]	[illegible]	[illegible]	Zurich	[illegible]	[illegible]	[illegible]

Temperature at midday yesterday C - Cloudy Dr - Drizzle F - Fair Fg - Fog H - Hail R - Rain S - Sunny Sl - Sleet Sn - Snow T - Thunder

FINANCIAL TIMES
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Slowdown in defence orders will push sales down 20% by 1993, chairman cautions

Thomson says net profits to fall this year

By **William Dawkins** in Paris

THOMSON CSF, Europe's largest defence electronics group, expects net profits to fall in 1990 for the second year running and is forecasting a 20 per cent decline in sales by 1993.

The group, 60 per cent owned by the French Government, expects to make a 6 per cent net profits return on sales of FFr36bn ($7.25bn) this year, said Mr Alain Gomez, the chairman. That implies that net earnings will fall by nearly 18 per cent in 1990, to FFr2.16bn from the previous year's FFr2.63bn, on sales up by 6.8 per cent from FFr33.69bn in 1989. However, Mr Gomez expected profits to recover over the next three years.

Thomson CSF is putting the finishing touches to a restructuring plan to adjust to an expected slowdown in the growth of the world defence equipment market to 1.5 per cent over the next eight years, from the 8.5 per cent average of the last decade.

"We are reconfiguring the group for what we consider the worst case scenario...but there is no doubt that the market will take off again," said Mr Gomez.

He said he expects growth in defence equipment demand in the second half of the decade to come mainly from the Middle East, Asia and the Pacific regions.

Details of the restructuring would be put to Thomson CSF's staff before being made public in the next month. Mr Gomez, who refused to confirm or deny whether there would be more job losses, said the forecast for this year's net earnings comes after a "sizeable" provision for the restructuring, also to be revealed later.

Yesterday's announcement, greeted by Paris analysts as optimistic, underlines the growing risks of strategy being followed by the fully state-owned Thomson group, of which Thomson CSF is the quoted subsidiary. The group's other main arm, the barely profitable Thomson Consumer Electronics (TCE), has just started a FFr9bn five-year investment programme in high definition television (HDTV), in an attempt to fight back intense Japanese competition.

TCE is suffering less from the consumer electronics industry's problems than Philips, the troubled Dutch multinational which is its partner in the HDTV project, yet it was a big feature in the FFr270m losses for the first half published by Thomson group last month.

So far, Thomson CSF has responded to the uncertainties of the defence market by launching a series of bold acquisitions, including most of Philips's European defence electronics businesses; Link-Miles, the UK maker of simulators and a half share in Ferranti's sonar business, among others.

However, its attempt to form a missile systems joint venture with British Aerospace, has been referred to the UK Monopolies and Mergers Commission, a cause of tension between the French and British governments. UK fears that the venture amounted to a backdoor French nationalisation of a British defence interest were "an interesting subject," said Mr Gomez, who expects an MMC decision in January.

Mr Alain Hagelauer, finance director, said the group had FFr3.7bn of net cash and could borrow up to FFr20bn for acquisitions if needed.

Alain Gomez: "There is no doubt that the market will take off again" Alan Harper

Westpac faces writ of A$300m from union

By **Kevin Brown** in Sydney

WESTPAC, Australia's biggest bank, yesterday faced the prospect of having to return A$300m ($230.7m) transferred to profits from the group's employee superannuation fund.

The Australian Bank Employees Union (ABEU) said it had served a writ on Westpac for the return of the money, which the bank says reflected excess contributions in previous years.

The writ claims Westpac wrongfully amended the trust deed governing the fund to allow the transfer of half of a surplus of A$600m. The balance was used to improve members' benefits.

It also claims the trustees of the fund breached their fiduciary duties by failing to act solely in the interests of the its beneficiaries.

"The superannuation scheme was established for the benefit of members. Any surplus is a surplus which arises out of the funds held on trust for the members. The whole of it should be used to improve their benefits," the union said.

After tax of A$102m, the transfer accounted for A$198m of Westpac's net earnings for the year to June 30, which fell by 14.6 per cent to A$684m. Without it, the bank's net profits would have fallen by almost 40 per cent to A$486m.

There was no comment from Westpac yesterday. Mr Stuart Fowler, managing director, said last week that the bank was entitled to receive the surplus because the group's contributions to the fund had reduced profits in earlier years.

The union's action will help to develop guidelines for the treatment of surpluses in superannuation funds, which are a relatively recent innovation in Australia for employees other than managers.

However, the writ adds to the problems facing the Australian banking sector, which is in the middle of a spate of poor results, most of which feature large increases in provisions against bad debts.

Westpac wrote off A$1.2bn against bad and doubtful debts last year, and revealed a further A$4.5bn in non-accrual or other problem loans. National Australia Bank recently reported a 3 per cent fall in net profits to A$767m, together with major bad debt provisions, and ANZ, the third major quoted trading bank, is expected to produce similar results next week.

●State-owned Tasmanian Bank made a net loss of A$6.9m for 1989-90, taking a A$11.4m charge against bad debts.

Sweden postpones Saab-Scania order

By **John Burton** in Stockholm

THE SWEDISH government yesterday delivered a blow to the JAS 39 Gripen combat aircraft consortium led by Saab-Scania by delaying placing an order for most of the aircraft until at least 1992.

With the project already running more than two years behind schedule due to technical problems, the decision means the consortium, which also includes Volvo and Ericsson, will face mounting development costs that threaten to reduce the project's profitability.

Over the past year, the JAS consortium has been negotiating with the government concerning a second batch of 110 aircraft. An initial batch of 30 aircraft has already been ordered and delivery will start in 1993 or 1994.

The consortium has been seeking a higher price for the second order to help recover the spiralling development costs it must bear under a fixed-price contract for the research phase.

But the government has refused to sanction more money for the project, which has already exceeded its original budget of SKr47bn ($8.49bn) by SKr7bn. The original estimate for the batch of 110 aircraft was SKr12bn. The government has earmarked a third of the total budget for research and the purchase of the first 30 aircraft, with the rest of the funding going toward armaments and maintenance until the end of the century.

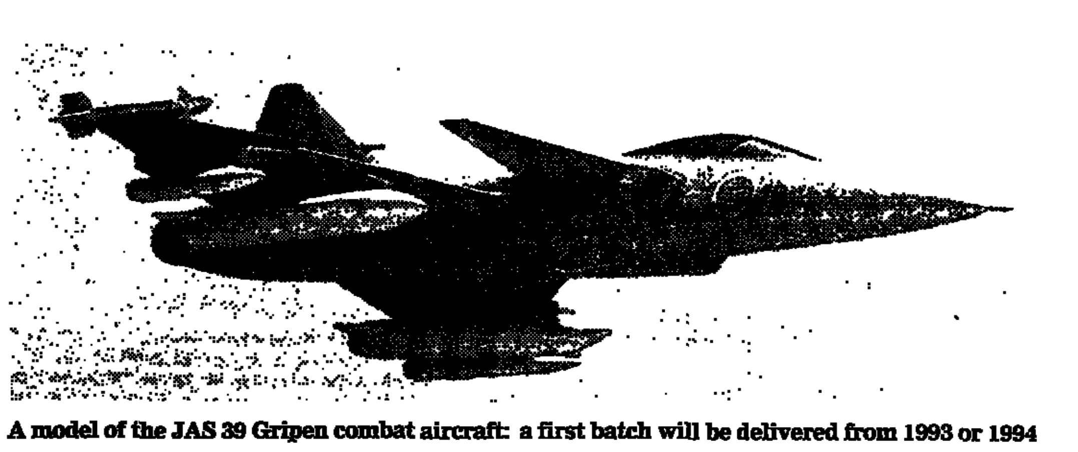
The government explained yesterday that it could not place a second order now because of continuing technical uncertainties about the aircraft, one of the world's first combat jets to combine attack, fighter and reconnaissance capabilities. It added that more flight tests and development work were needed.

In a statement criticising the JAS consortium, defence minister Roine Carlsson said: "It is worrying that the delays have increased despite assurances from industry on several occasions during the last few years that this would not happen."

But Mr Carlsson and other defence officials indicated the delay of the order did not mean the project was in danger of being cancelled. "The JAS project is an important project for our defence and a good outcome is of great significance not only for our defence policy but also for Swedish industry."

But the need to conduct more development work on JAS could result in Saab-Scania's aerospace division, which has a 60 per cent stake in the project, falling into the red after a slim profit of SKr54m in 1989. Saab also warned that the order delay would cause a production gap for JAS, contributing to higher costs.

Between 1986 and 1988, the division suffered total losses of SKr214m due to heavy development costs for JAS and the Saab 340 commuter aircraft. Saab said there was a slight improvement in the division's profits for the first eight months of 1990.



A model of the JAS 39 Gripen combat aircraft: a first batch will be delivered from 1993 or 1994

Davy passes dividend as pre-tax profits fall 24%

By **Andrew Bolger** in London

DAVY CORPORATION, the UK's largest independent engineering contractor, yesterday passed its interim dividend and announced a refocusing of the business in the light of a recent run of disastrous contracts.

Davy's shares fell sharply after it announced a 24 per cent drop in pre-tax profits to £8.42m ($16.5m) in the six months to September 30, but later came back to close at 75p, down 1p on the day.

The group made an extraordinary loss provision of £45m, mainly due to an abortive drilling rig contract at its Dundee yard. Davy said this provision included all anticipated costs until completion of the £120m contract to provide a floating production platform for the Emerald oil field, east of Shetland.

Davy is also in dispute with Exxon, the US oil company, over a £100m contract which is running nine months late at Britain's largest oil refinery at Fawley, near Southampton. A contract at British Steel's Universal Beam plant on Teeside, north-east England, is thought to have led to surplus costs of about £10m.

Sir Alistair Frame, chairman, said: "Completion of the Emerald Field and other contracts remain important events in the current year. In the circumstances, the directors have determined that no decision can be made with regard to the payment of a dividend until results for the full year are available.

"The board recognises that these deeply unsatisfactory results, arising mainly on a small number of contracts ... call for a radical change. A major review of the operating companies' contracting activities ... has concluded that several areas of business now attract an inadequate reward for the risks involved."

Sir Alistair said the group had decided that it would in future avoid fixed-price, high-technology contracts – such as the Emerald field rig. He added: "There is no way that we are going to bet the future of this company on one or two contracts. There is no doubt that has been done in the past."

Davy has reduced its involvement in offshore activities by last month forming a joint venture with Wimpey. The UK building group acquired 75 per cent of Davy's offshore business, based on Teeside.

Yesterday's share price close valued Davy at £89m – less than a third of the £277m which the company was worth as recently as June 4. Analysts said the collapse in the share price, following news of the troublesome contracts, had threatened Davy's independence.

Turnover in the half year rose from £530m to £741m. Earnings per share slumped by 44 per cent to 4.2p (7.5p).

Lex, Page 22

Royal Bank of Scotland to cut jobs

By **James Buxton**, Scottish Correspondent, in Edinburgh

GEORGE YOUNGER, the Member of Parliament and former UK defence secretary who managed Mrs Thatcher's leadership election campaign, is to take over as chairman of the Royal Bank of Scotland Group early in January. His appointment is part of a streamlining of the group which will involve a significant number of job losses over the next two years.

The Royal Bank is refusing to say how many people will be affected. Several compulsory redundancies are envisaged, although the reduction in staff will mainly be achieved by natural wastage, early retirement, voluntary redundancy and limited recruitment.

Mr Younger, 59, will replace Sir Michael Herries after the bank's annual meeting on January 10. Sir Michael, 67, has been chairman since 1978. Mr Younger has been deputy chairman since last January and was destined for the chairmanship since he became a director in 1989.

Under the streamlining, all the Royal Bank Group's businesses are to be regrouped into six operating divisions of the clearing bank, the Royal Bank of Scotland. The bank itself is being split into two parts, branch banking, and corporate and institutional banking, bringing its structure more into line with other large UK banks.

The Royal Bank of Scotland Group will retain its stock exchange listing, but will give up its operating role and be the parent only of the clearing bank.

Dr Mathewson said the new structure would reduce costs and be more balanced, ending the large differences in size between the bank and other subsidiaries. It also meant the organisation's functions would be focused closely on the customer groups.

Dr Mathewson said there would not be large numbers of actual redundancies. He hoped, however, that the new management team would identify areas where costs were increasing sharply and make payroll savings.

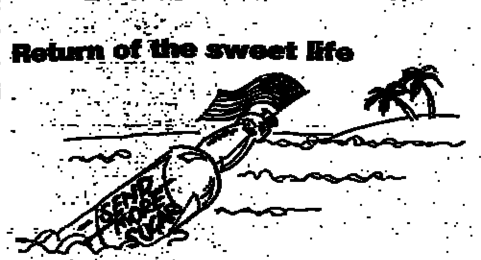
The Edinburgh-based institution is the seventh-largest bank in the UK and operates nationally.

INSIDE

Anglo American held back by gold side

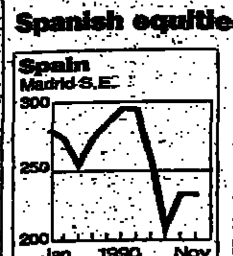
Attributable earnings have fallen by 10 per cent at Anglo American, South Africa's largest mining house, to R540m ($216m) following disappointing performances from coal and gold interests. A 6 per cent decrease in investment income was largely due to lower dividend income from gold mining interests. The directors said the lower gold dividends reflected continuing falls in mine profit margins, as inflation drives up costs while revenue remains static. **Page 25**

Return of the sweet life



Life for Caribbean sugar producers is not as gloomy as it was a few months ago. The prospect of higher demand from the US has combined with the weakness of sterling against other currencies in the European Monetary System to give producers improved prices. Despite the better conditions, there are still some difficulties in meeting export obligations and concern over possible European Community cuts of up to 30 per cent in its domestic support price for sugar. **Page 31**

Spanish equities face the music



The Spanish economy is facing a moment of truth. Iraq's invasion of Kuwait and the resulting increase in crude oil prices have introduced uncertainty into what was a steadily improving situation. Although prospects for Spanish growth are still good, the country has to deal with increased labour costs and higher inflation. The Madrid general index has fallen by more than a fifth between the beginning of August and the end of October. Ana Pareda reports. **Back Page**

BCE comes full circle

After a decade of fruitless diversification, BCE, Canada's largest domestically-owned company, has decided to concentrate on the business it knows best — telecommunications. Earlier this month, its Northern Telecom subsidiary bid for control of Britain's STC. Now the Canadian group is turning its sights on the rapidly expanding Mexican and Australian markets. Bernard Simon and Robert Gibbens report. **Page 25**

Powell hit by high interest rate

Powell Duffryn, the fuel distribution and engineering group, yesterday announced a 9 per cent fall in pre-tax profit as higher interest payments and a buffeting in shipping took their toll. Chief executive Bill Andrews (left) said that negotiations with the Dutch group, Pakhoed Holding, to form a joint venture in chemicals storage should be concluded by March. This would bring in more than £20m ($39.3m), reducing interest payments next year by enough to compensate for the loss of profit. **Page 30**

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)							
Rises				Nouvelle Galer	715	+	58
Allianz AG	2230	+	60	Roussel-Uclaf	1920	+	40
Deutsche Bank	626.5	+	13.5	Schneider	651	+	13
Fag Kugelfisch	247	+	10	**Falls**			
Industrie Werke	302	+	13	Intertechnique	1020	–	20
Linde	812	+	12	OFB	1470	–	48
Mannheimer Vers				**TOKYO (Yen)**			
	862	+	40	**Rises**			
Muench Rck	2360	+	60	Hitachi	1100	+	40
Falls				Hosshu Paper	2310	+	30
Goldschmidt	701	–	14	Kobe Steel	475	+	20
PARIS (FFr)				Kyosan Elec	1580	+	10
Rises				M'bishi Estate	1250	+	80
Cetelem	505	+	25	M'bishi Heavy	683	+	15
La Henin	512	+	22	NKK	380	+	15
Midi (Cie)	956	+	38	Shinko Elec	862	+	12

New York closed.

LONDON (Pence)							
Rises				Water Package	2470	+	45
Acsis	15	+	3	Whessoe	134	+	10
British Gas	236	+	6½	**Falls**			
Brown (N)	177	+	12	Brent Walker	97	–	14
Evert	55	+	10	Brit Aerospace	534	–	17
Goodhead	66	+	10	Brown Shipley	225	–	20
Kewill Systems	180	+	8	Holmes Marchant			
Nthmbrian Water					75	–	11
	263	+	9	Mowlem	257	–	10
Ransomes	93	+	7	Rolls-Royce	163	–	6
Speyhawk	97	+	10	Scot & Newcstl	351	–	11
Tams (John)	74	+	4	Volex	230	–	15
Tiphook	376	+	15				

Brent Walker share price hit by bond issue hitch

By Maggie Urry in London

SHARES in Brent Walker, the UK leisure group, tumbled yesterday when the company announced that Mr George Walker's family trust company, Birdcage Walk, had deferred payment on its £17.3m ($34m) subscription to Brent Walker's £103.3m convertible bond issue until next week.

Mr Walker is chairman and chief executive of Brent Walker, which has over the past two months been restructuring its high level of borrowings.

The bond issue is an important part of the refinancing which covers debts of over £1bn.

The Brent Walker share price has been volatile over the last two months as the refinancing was being put together by bankers.

It dropped 33p to 78p in London, yesterday morning, but later recovered to close at 97p, a net fall of 14p on the day.

Birdcage Walk, a Hong Kong registered company which holds about 24 per cent of Brent Walker shares, had agreed to put £27.3m into the bond issue, through a £17.3m subscription under the open offer to shareholders to "claw back" the bond issue from placees, and a £10m purchase of the bonds.

Ordinary shareholders who subscribed under the open offer were required to make payment by Tuesday, November 19.

Birdcage Walk and Brent Walker Capital, the issuer of the bond, agreed that Birdcage Walk would make both its payments on the same date.

That date had been provisionally set for today, but Mr Keith Dibble, Brent Walker company secretary, said yesterday that the date had now been fixed for next Tuesday, November 27, the day when the bond issue closes.

Brent Walker said yesterday: "Birdcage Walk has confirmed that it will have finance available to fulfill this obligation."

The bonds are convertible at a share price of 140p, and Brent Walker had made it clear to shareholders they were unlikely to find the clawback offer attractive.

Only 254 valid applications were received by the Tuesday afternoon deadline, covering £510,000 of the bond issue.

This means that apart from Birdcage Walk's subscription, only 0.6 per cent of the bonds available to shareholders were taken up by them.

NTT declines sharply

By Emiko Terazono in Tokyo

NIPPON Telegraph and Telephone Corporation (NTT), Japan's largest telecommunications company, posted a sharp decline in interim pre-tax profits to Y154.9bn ($1.2bn), down 23.7 per cent.

The company, which became private in 1986, yesterday announced unconsolidated results for the six months ended September 30. It blamed the profits drop on an increase in operating costs and the fall in Japanese stock markets.

Overall sales for the first half rose 3 per cent to Y2,909.8bn, reflecting a modest increase in telephone subscribers, including the popular car and mobile telephones. Dial charges, which account for half of NTT's sales, fell 0.3 per cent due to increasing competition from new telecom companies, and rate reductions.

While interest bearing liabilities dropped 5 per cent from the previous year, non-operating revenue dropped 12 per cent due to the sharp decline in portfolio stock holdings caused by the stock market plunge.

For the full year, NTT estimates a 7.7 per cent decline in pre-tax profits to Y447bn, revised up from a 15.4 per cent drop of Y410bn.

Nedlloyd Energy may seek outside investors

By Ronald van de Krol in Amsterdam

NEDLLOYD, the Dutch transport and energy group, is to examine the possibility of opening its upstream energy division, Nedlloyd Energy, to outside investors, either through a capital injection or a flotation of part of these energy activities on a European stock exchange, or both.

The Rotterdam-based company has invited several unnamed merchant banks to suggest proposals for increasing the value of the division to Nedlloyd's shareholders. The division is active in the exploration and production of oil and gas, mainly in the Dutch and UK sections of the continental shelf.

One of the options being considered is attracting significant investment in Nedlloyd Energy in return for a stake in the division. Depending on the advice of its merchant bank, Nedlloyd might also seek a European bourse listing for part of the division. A combination of these options may also be possible, but details have yet to be worked out.

Nedlloyd – which is forecasting a loss for 1990 because of pressure on its shipping activities and the weakness of the dollar – said these options were being considered as ways of funding the future growth of its upstream oil and gas activities. Energy activities, including the separate Neddrill drilling division, which will not be opened to outside investors, accounted for Fl 179m ($108m), or 3 per cent, of the group's total turnover in 1989.

The recent strong rise in the price of oil, plus Nedlloyd's difficulties in other areas, have enhanced the importance of the oil and gas activities to the group. Besides its UK and Dutch operations, Nedlloyd Energy is also conducting exploration programmes in Ecuador and Egypt.

Oil price rises have lifted Nedlloyd's results from its energy activities, but the gains are not sufficient to compensate for the negative effects of higher fuel costs

A L1,650-a-share offer too good to refuse

John Wyles on the return to the public sector of Montedison's 40% stake in Enimont

Finally, Mr Raul Gardini has been made an offer he cannot refuse for Montedison's 40 per cent share of Enimont. Yesterday, after a brief, tormented experience with semi-privatisation, it was confirmed that the biggest part of Italy's basic chemicals production will return to the public sector.

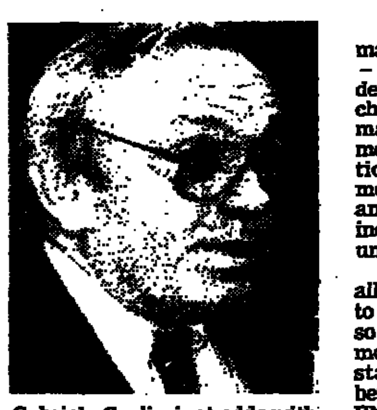
In this Europe of 1990 where, to the east, governments are desperate to privatise and, to the west, public sectors are shrinking, no other country but Italy would consider renationalisation of a big industrial sector the best way of solving irreconcilable differences between private and public sector shareholders.

But ENI, the state energy group, will within 10 days hand over L2,805bn ($2.5bn) for Montedison's stake and then spend, in the form of 4-year bonds, a further L1,400bn acquiring the 20 per cent of the company floated on stock markets last year. At L1,650 a share, the price is generous compared to Enimont's most recent stock market value of L1,190, but not "extravagant" in the view of one Milan analyst yesterday. "This is not a stupid price being paid to get rid of Gardini," he added.

Mr Gardini's colleagues maintain that it was not the price which persuaded him to sell when he could have exercised the option to buy out ENI's 40 per cent. Rather, it was the conditions attached to the purchase which, he claims, would have imposed unacceptable limits on his right to manage.

Such conditions have, however, been accepted by other private entrepreneurs in buying assets from the state. Convinced that the government, which imposed these conditions, was forcing him to sell to ENI, Mr Gardini reacted yesterday with a theatrical cutting of his formal ties with Ferruzzi's business in Italy and with Italian business in general. The Ferruzzi family, into which he married, is the dominant group shareholder, however, and he will, therefore, remain the main managerial mind behind its activities.

Despite confidence that it will build "a great and competitive" chemicals business for Italy, it is at the very least



Gabriele Cagliari: at odds with Mr Gardini over restructure

questionable whether ENI, with debt of nearly L16,000bn which is clearly in excess of net capital, should be adding Enimont's L8,500bn of debt to this burden. The group's plan to return a minority of Enimont to the stock market will have to confront a chemicals industry recession. Enimont is already trading at a loss and could well become the albatross which could seriously undermine ENI's impressive recovery of the last five years.

However, it is Enimont's manifest industrial weaknesses – deriving from its heavy dependence on low-value basic chemicals – which guarantees majority support in government and parliament for renationalisation. Much of Enimont's plant is in the south and on Sardinia, where the industrial base is slender and unemployment high.

Italian politicians do not allow public-sector companies to forget their "social mission", so the speed and depth of Enimont's restructuring – a constant source of conflict between Mr Gabriele Cagliari, ENI president, and Mr Gardini – will be more gentle now that all of the company is back under the public wing.

Why did the Enimont joint venture go so badly wrong? The answers are many and varied, but they undoubtedly derived from the bad faith and mistrust which quickly grew between ENI and Montedison after they agreed in the summer of 1988 to take equal holdings of 40 per cent.

Merging the state-owned Enichem with Montedison's basic chemicals businesses was never going to be easy, not least because of manifest differences in management style. The two sides failed to define strategic priorities with sufficient clarity to withstand the pressures put on their relationship by an impatient Mr Gardini, who was anxious to restructure at a pace and in a manner which ENI would not accept.

The government's inability to deliver parliamentary approval for L840bn of tax deferrals for Montedison – a vital adjunct to the Enimont agreement for Mr Gardini – signalled that the political majority in Rome was against him, and would fortify ENI in the conflict over strategy.

So he brought in allies among the holders of the 20 per cent of Enimont that was floated last year to give him management control, but not the final word over key decisions.

In the last month, ENI put him into a legal stranglehold which confirmed that its interests could not be overridden.

Mr Gardini has taken the money and is apparently running – away from Italy.

Amev strong ahead of link with Groupe AG

By Ronald van de Krol in Amsterdam

AMEV, the Dutch insurer about to merge with Groupe AG of Belgium, said net profit rose by 7.2 per cent to Fl 307m ($184.9m) in the first nine months of 1990. This was in spite of a 1 per cent decline in revenue to Fl 7.8bn.

The company, the third largest Dutch insurance group, said profits would have risen 12.8 per cent and revenue by 5 per cent but for adverse exchange rate movements.

Growth in per-share profit rose faster than overall net profit, gaining 7.9 per cent to Fl 4.63.

Amev attributed the difference to the fact that its merger in 1989 with Dutch savings bank VSB Groep effectively involved the buying-in of its own shares from third parties in the second quarter of last year. The company forecast full-year profit per share would also show a rise.

Pre-tax profit on insurance activities increased by 28 per cent, due mainly to a strong improvement in results from accident and health insurance.

Life insurance results before tax were barely changed at Fl 196m, compared with Fl 190m in the same period last year. Earnings on life insurance were higher in the Netherlands, but lower in the US. In banking, pre-tax results fell by 8 per cent.

"As each of them is only a minor competitor in the home market of the other, the merger does not create or strengthen a dominant position and is, therefore, compatible with the common market," the EC said.

Adverse factors hit BBL

By Tim Dickson in Brussels

BANQUE Bruxelles Lambert (BBL), one of Belgium's leading commercial banks, yesterday blamed the direction of interest rates, increased competition and lower loan demand for a relatively flat profits performance last year.

The bank said net unconsolidated profits rose 3 per cent to BFr4.2bn ($138m) in the year to end-September after BFr934m had been transferred to reserves. The group's balance sheet total rose by 5.2 per cent to BFr1,843bn, client deposits rose 12.8 per cent at BFr941bn, while credits to the private sector advanced by almost 10 per cent to BFr725bn.

BBL said "several factors" had affected the banking environment adversely; short-term interest rates had mostly been higher than those at the long end, squeezing margins; the impact of the cut in Belgium's withholding tax encouraged investors to seek more attractive homes for their savings; and slower demand for credit.

BBL will pay a maintained dividend of BFr136 per share.

Matsushita close to $6bn deal for MCA

By Alan Friedman in New York

MATSUSHITA, the Japanese electronics group, appears to be close to agreeing a deal to acquire MCA, the Hollywood entertainment conglomerate, for a price of around $6bn.

The two companies, whose top executives have been meeting in New York this week, have significantly narrowed differences over the price per share to be offered. The share price closed on Wednesday afternoon at $68.50.

When word of the negotiations first emerged in late September, MCA was seeking $80 to $90 a share. According to an executive close to this week's talks, the two sides "are now roughly $5 apart" in the $70-to-$75 per-share range.

The executive said he was optimistic about prospects for a deal, but warned that "anything can happen in the next few days".

If the deal is finally agreed, it would represent the biggest single Japanese investment in the US, and would be larger than the $3.4bn takeover by Sony last year of Columbia Pictures.

MCA includes Universal Pictures, the Hollywood studio, plus a successful batch of record companies, including Geffen Records; the Putnam publishing house; theme parks in California and Florida; and a valuable property portfolio in Los Angeles.

Among those involved in this week's New York talks have been Mr Lew Wasserman, the 77-year-old MCA chairman; Mr Masahiko Hirata, an executive vice-president of Matsushita; Mr Felix Rohatyn of Lazard Freres, who is acting for MCA; and Mr Robert Strauss, the former chairman of the Democratic Party whose job it would be to sell the deal to a wary US Congress.

MCA last year had a net income of $191m on $3.4bn of revenues. The company has valuable assets, but its management is considered stodgy, with the exception of that for its Universal film division.

Matsushita declined to comment on Japanese press reports saying the two sides had reached a basic agreement on a buy-out price of between $75 and $80 share, Reuters adds.

DKB ECONOMIC REPORT

November 1990: Vol. 20, No. 11

Effect of Tight Credit Gradually Penetrating Japan's Economy

Japan's gross national product (GNP) grew a year-to-year 7.5% in real terms during the April–June quarter of 1990, compared to 4.8% in October–December 1989, and 6.0% in January–March 1990.

This acceleration of year-to-year quarterly GNP growth reflects special factors: the hurried purchase of goods during the January–March period of 1989 prior to the implementation of the 3% consumption tax in April, and the reactionary drop-off in purchases during the following quarter.

In order to iron out the distortion by these special factors, GNP growth should be considered on a half-year basis. GNP grew by 6.7% during the first half of 1990, compared to rates of 4.9% in both the first and second halves of 1989. This indicates that the Japanese economy has strengthened its expansionary trend following a temporary lull in 1989. The growth stems largely from strong domestic demand, led by personal consumption and capital investment.

On the back of brisk private demand, *industrial production has also begun to* strengthen. The growth rate of production, which was 4.1% in October–December 1989 but then fell to 1.8% in January–March, recovered to 3.4% in April–June and to 6.3% in July–August.

Rising Inflationary Pressures

Reflecting the steady expansion of the economy, the domestic supply-demand situations of manufactured goods and labor have been tightening, thereby intensifying inflationary pressure.

The tighter supply of manufactured goods can be seen in increased capacity utilization and in the Bank of Japan's August quarterly short-term survey of business outlook (Tankan), which showed more companies forecasting excessive demand than predicting an oversupply.

Labor is also believed to be in shorter supply, in light of the rise in the effective ratio of job offers to job seekers and the BOJ's report that a higher percentage of companies forecast a labor shortage ahead (figure).

In addition to the factors mentioned above, the impact of the rise in crude oil prices due to the Persian Gulf crisis gives cause for concern for future prices.

The average price of imported crude oil on a customs-cleared basis surged from $16.34 per barrel in August to $22.75 in mid-September, and it is forecast to rise further, strengthening inflationary pressure. Year-to-year price increases have remained relatively small so far, with domestic wholesale prices 3.0% in September and consumer prices 2.9% in August. However, there is a strong possibility of gradual upward movement ahead.

Interest Rates Rising Rapidly

To forestall further rises in price increase rates, the Bank of Japan raised the official discount rate at the end of August, the fifth increase since May 1989. As a result, market interest rates have accelerated their upward pace since August, mirroring growing expectations of higher prices ahead because of the rise in crude oil prices.

The short-term prime lending rate rose from 7.125% before the outbreak of the Persian Gulf crisis to 7.375% in August and 8.000% in September. The long-term prime rate also increased from 7.6% at the end of July to 7.9% in August, 8.5% in September and 8.9% in early October. The average contracted lending rate for banks nationwide rose from 5.782% at the end of December 1989 to 6.844% at the end of July and 6.929% at the end of August, and is expected to continue to rise.

Economic Growth Likely to Slow Gradually

Higher interest rates will place a heavier payments burden on corporations. Growing price increase rates are *liable to dampen personal consumption,* stifling sales, while a shortage of workers is expected to push up labor costs. Profits growth is thus likely to be squeezed slowly.

Past patterns of business activity show that a slowdown in profits growth saps business confidence and leads to a deceleration in equipment investment. At present, there is a slim possibility that capital investment will drop steeply. In view of the still-high growth of machinery and construction orders received, both leading indicators for capital expenditure and corporate eagerness to invest. However, capital investment is likely to slow gradually over the long term from the double-digit growth of recent years.

Meanwhile, consumer spending buoyed by high winter bonuses is expected to keep the economy growing for the time being, although here again the pace of increase is likely to slow gradually later.

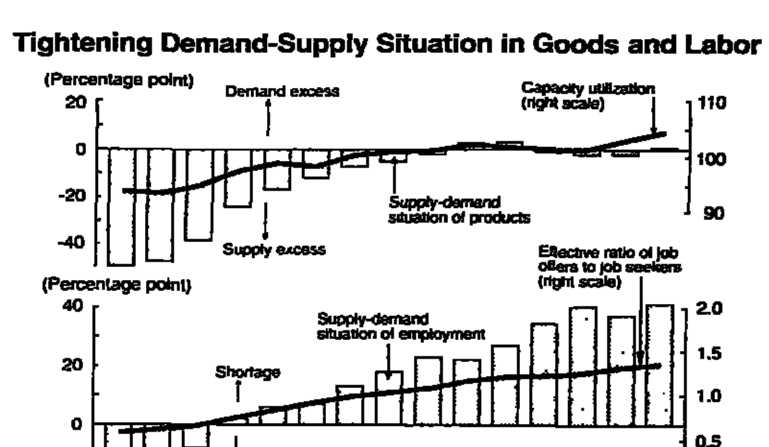
Yen's Value Drawing Interest

The outlook for prices and economic activity will be affected greatly by the yen's rise against the U.S. dollar since August. A stronger yen pushes down import prices and offsets to some extent the effect of higher crude oil prices. At the same time, it encourages imports, easing the demand-supply situation for manufactured goods and thus reducing inflationary pressures.

The yen's climb since August stems from concern over the economic slowdown in the U.S. and the resultant expectation of lower U.S. interest rates. The apparent difficulty the administration is having in enacting pump-priming fiscal and monetary measures indicates that the economy will stay sluggish for an extended period. The possibility is growing that the U.S. will enter a recession.

The dollar therefore seems unlikely to recover for some time, and the yen should stay firm. From October through December 1989 the dollar maintained a level of around 143 yen. Assuming that it stays at 130 yen in October–December this year, the yen will have appreciated by 10%, offsetting higher prices of overseas commodities such as oil (a 5.0% year-to-year rise in September on an import contractual currency basis) and weakening domestic inflationary pressure. Should an armed conflict occur in the Middle East and push the yen's value down sharply, however, the situation will change drastically.

Tightening Demand-Supply Situation in Goods and Labor



Note: The supply-demand situation of products is represented by the percentage of responding companies that expect an excess demand, minus the percentage projecting an excess supply. The supply-demand situation of employment is represented by the percentage of respondents expecting a shortage minus the percentage expecting an excess.

Sources: Bank of Japan, Labor Ministry, Ministry of International Trade and Industry

Tyre companies to study merger

By Andrew Fisher in Frankfurt

CONTINENTAL, the German tyre manufacturer, yesterday proposed that its advisers and those of Pirelli of Italy study the value of the two companies to see on what financial basis a possible merger could take place.

In Milan, Pirelli said it accepted the proposal. The study would be done on the basis of published information.

After a meeting of Continental's supervisory board, which backed the management board's rejection of Pirelli's original merger terms in September, the Hanover-based company said it would have welcomed the opportunity to discuss the advantages and synergies of an amalgamation.

The German company repeated that its assessment of the benefits of an amalgamation was different from that of Pirelli, which put potential synergies much higher.

It regretted that Pirelli had not been willing to accept a moratorium on the use of confidential information in case formal merger talks collapsed.

Continental said its proposal that the two advisers get together was made because the companies have widely differing views on what each is worth.

The German company, which this week announced a sharp profits fall, also said it was in a good position to overcome the difficulties in the tyre industry, and continue as an independent concern.

● Porsche, the German sports car maker, expects to make losses in the US in its 1990-91 year, although it is too soon to make any exact estimates, Mr Paul Schinhofen, a Porsche spokesman said, Reuters reports.

Mr Schinhofen said Porsche was considering moving parts of its production to the US to help offset the negative effect of the weak dollar, although this would involve more parts production and finishing than actual production of cars.

Group turnover rose to DM3.05bn ($2.1bn) in the year ended July 31, 1990, from DM2.53bn a year earlier. Porsche said earnings improved in 1989-90, but gave no figures.

Kyocera up 23.5% on improved sales

By Ian Rodger in Tokyo

PRE-TAX profits of Kyocera, the high-technology ceramics and electronics company, rose 23.5 per cent to Y29.9bn ($235m) in the six months to September 1990, on sales up 11.6 per cent to Y163.1bn.

However, the company is expecting a sharp downturn in profitability in the second half, and has revised down its yearly pre-tax profit forecast to Y59.5bn, from an earlier forecast of Y67bn. Its pre-tax profit in the previous fiscal year was Y62.3bn.

The company said margins on exports, which account for 44 per cent of its sales, had deteriorated, and a slowdown in the US semiconductor market was hurting sales of its ceramic packages.

Demand for electronic and other precision equipment was expected to remain favourable.

On a consolidated basis, net income rose 12.4 per cent to Y16.7bn on sales up 15.6 per cent to Y227.9bn. Sales of electronic components, accounting for 33.9 per cent of the total, increased 19 per cent to Y77.3bn. Sales of semiconductor parts, 28 per cent of the total, were up 13.3 per cent to Y52.5bn. Electronic equipment sales, 16.7 per cent of the total, gained 8.8 per cent to Y38.1bn.

Adsteam plans await share rally

By Kevin Brown

MR JOHN SPALVINS, head of the troubled Adsteam group, yesterday said most of the proposed unwinding of the group's complex cross-shareholding arrangements would not go ahead until share prices rise.

He also warned that dividends in some group companies could be reduced or passed because of trading problems caused by the slowing economy.

Adsteam relies on dividend payments to spread earnings throughout the group.

Mr Spalvins was re-elected chairman of Tooth and Co., Petersville Sleigh and National Consolidated, but the group's shareholding and financial structure was criticised.

Mr Spalvins hinted after the annual meeting of Tooth and Co. that he had considered resigning. Later, he told Petersville Sleigh shareholders: "I appreciate your vote of confidence. It is difficult not only for the company but for me personally to see what has transpired."

Adsteam announced earlier this month it was to be restructured with the support of its banks to reduce debts of around A$6.2bn (US$4.8bn) by A$3bn, and to eliminate the cross-shareholdings which link the six companies in the group.

However, Mr Spalvins said Petersville Sleigh's 27.3 per cent stake in Tooth and National Consolidated's 19.2 per cent stake in David Jones, another group company, would not be sold at "current unrealistic levels".

He also indicated Tooth and *Adelaide* Steamship, the main group company, would only sell their holdings in National Consolidated at levels which would reflect the intrinsic value of National's operations and investments.

In addition, plans for the sale of Petersville Sleigh's 31 per cent stake in Howard Smith, another Adsteam company, have been criticised by the Howard Smith board and are understood to be opposed by some financial institutions.

Mr Spalvins indicated at the Tooth annual meeting the group had paid too much for Industrial Equity (IEL), formerly controlled by Sir Ron Brierley, which was taken over at a cost of A$600m by a company controlled by Tooth, Adelaide Steamship and David Jones.

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Anglo American earnings down 10% at R540m

By Philip Gawith in Johannesburg

ATTRIBUTABLE earnings of Anglo American, South Africa's largest mining house, fell 10 per cent to R540m ($216m) from R599m in the six months to September following disappointing performances from its coal and gold interests.

Investment income fell 6 per cent to R594m from R632m. This decrease was largely due to lower dividend income from gold mining interests which now comprise 21 per cent of investment income, compared with 30 per cent in 1989.

The directors said the reduced dividends from gold mining companies reflected the continuing fall in mine profit margins, as inflation drives up costs while revenue remains static.

On the trading side income declined 19 per cent to R226m from R279m, largely due to the fall in Amcoal's operating profit which was down 18 per cent at R196m for the six months. This resulted from a decline in export tonnages, a firmer dollar/rand exchange rate and increased unit working costs.

Other net income fell from R28m to R19m reflecting lower interest and fee income and higher prospecting costs.

Equity accounted earnings fell by 12 per cent to R1.12bn from R1.31bn. Retained earnings of associated companies, which are transferred to non-distributable reserves, fell by 14 per cent to R610m indicating the effect of the domestic recession on industrial companies. Offshore earnings were adversely affected by the slowdown in the world economy and the strength of the rand against the US dollar.

The directors predicted the unfavourable international and domestic economic climates and the reduced profits from gold mining, would lead to the year-end results to March 1991 showing a similar trend to the period under review.

Attributable earnings per share were down at 233 cents from 260 cents but the interim dividend was maintained at 85 cents per share.

Tongaat-Hulett hit by tough trading conditions

TONGAAT-Hulett, the South African food and industrial group which is an associate of the Anglo-American corporation, recorded sharply lower earnings in the six months to September as many of its subsidiaries experienced difficult trading conditions, writes Philip Gawith.

Turnover rose 3 per cent to R1.92bn ($761m) from R1.86bn, but operating profit fell 24 per cent to R146.1m and attributable earnings were 29 per cent down at R61.6m against R86.6m.

Mr Chris Saunders, chairman, said trading conditions had been difficult in both the domestic and export markets.

Hulett Aluminium suffered from the collapse of world metal prices and its contribution fell markedly. The sugar division's performance was adversely affected by lower export prices and a smaller crop following a winter drought.

Lower demand for textiles and building materials also saw these divisions perform worse than last year. High interest rates, political unrest and the government's deliberate slowing of the economy hurt the building materials division.

Earnings per share dropped by 29.2 per cent to 82.3 cents, against 115.7 cents and the dividend was 12 per cent lower at 23 cents (26 cents) per share.

News Corp share price recovery falters

By Kevin Brown in Sydney

A TWO-WEEK recovery in News Corporation's share price faltered yesterday as Australian investors reacted to a warning by Moody's Investor Services, the US rating agency, that the group's prospects had been impaired by "fundamental changes in the business environment".

The shares rose 14 cents to A$6.60 on the Australian Stock Exchange (ASX) after Moody's said it was downgrading much of News Corporation's debt, but fell 20 cents in later trading to close six cents lower on the day at A$6.40.

Analysts said the initial rise in the share price was caused by US buying as traders sought to cover short trading in News Corporation's American depository receipts in overnight trading on Wall Street. The shares were also helped by indications that Twentieth Century Fox, News Corporation's film-making subsidiary, has been successful in accelerating production of films planned for next year.

News Corporation shares bottomed at A$4.25 earlier this month after falling from a high of A$14.90 for the year, but have been on an upward trend since Mr Rupert Murdoch, chief executive, began talks with the group's bankers to reschedule debts of around US$6.5bn. Moody's said the debt rescheduling and proposed asset sales worth around A$1bn (US$769m) would improve the company's short-term liquidity problems. But, weakening operating margins in the media and entertainment industries would put pressure on earning and cash flow in the medium term.

Moody's announcement may be followed by a similar downgrading of News Corporation debt by Australian Ratings, the local ratings agency. But, the market may be more concerned about the progress of Mr Murdoch's attempts to persuade News Corporation's bankers to accept his debt rescheduling proposals.

BCE prepares for long-distance expansion

Bernard Simon and **Robert Gibbens** on the broadening horizons of a Canadian group

Having extricated itself from a fruitless, decade-long diversification drive, Canada's BCE Inc is broadening its horizons in the business that it knows best - telecommunications.

Montreal-based BCE took a big step in that direction earlier this month with the £1.9bn (US$3.61bn) proposal by its equipment-manufacturing subsidiary, Northern Telecom, to lift its stake in Britain's STC from 27 per cent to 100 per cent. STC, Britain's only leading independent maker of telecommunications equipment, has accepted the offer, and no other bidders have so far appeared.

With STC giving Northern Telecom a more secure foothold in Europe, BCE hopes the accelerating pace of deregulating telephone services globally will open other large windows for its manufacturing and operating expertise.

A consortium comprising BCE, the US telephone company Nynex and the Mexican financial services group Casa de Bolsa Inverlat Associates was until last week, pursuing a bid to buy 20.4 per cent of Telefonos de Mexico and to manage Telmex's modernisation and expansion. BCE would have invested about US$400m.

The group dropped the bid because it could not agree on details of the management contract, but is leaving the door open for new negotiations, depending on the outcome of Mexico's talks with other bidders.

Meanwhile, BCE has its eye on Australia, where the government is preparing to sell its satellite communications company, Aussat. Mr Raymond Cyr, BCE's chairman and chief executive, explained that his goal was "to get involved over time in one or two significant investments."

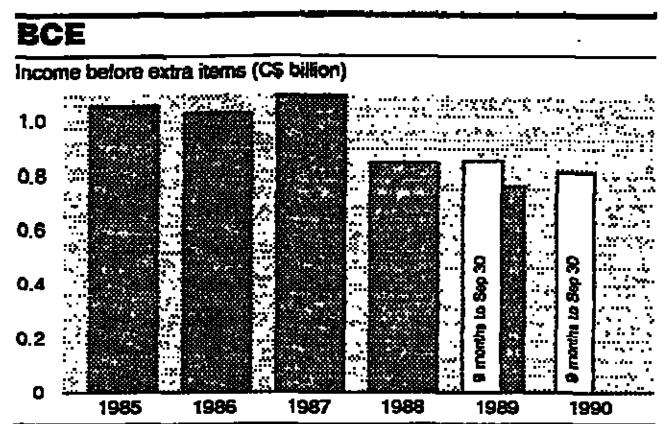
BCE is Canada's biggest domestically owned company, with revenues last year of C$16.7bn (US$14.52bn). Besides its 53 per cent interest in Nortel, BCE owns Bell Canada, by far Canada's biggest telephone company, and Bell Canada International (BCI), a consulting arm best-known for the C$2.7bn contract it completed in 1988 to supervise the modernisation of Saudi Arabia's telephone system.

Nortel and Bell Canada share ownership of Bell-Northern Research, a telecommunications R&D company.

The equipment and telephone operating sides need to open new markets. Nortel relied on the US and Canada for 94 per cent of its revenues last year. Bell Canada's efforts to expand its Canadian telephone interests have been rebuffed, while the monopoly it holds with other provincial telephone companies on long-distance service is being challenged.

Nortel's expansion effort has, up to now, been based more on prising open new markets than on expensive acquisitions. Its shipments outside North America are expected to top US$500m this year, 27 per cent higher than in 1989.

While BCI is working on contracts in more than a dozen countries, it has failed to find anything comparable to the Saudi contract. Nortel's expansion effort has, up to now, been based more on prising open new markets than on expensive acquisitions. Its shipments outside North America are expected to top US$500m this year, 27 per cent higher than in 1989.



It has become the largest non-Japanese supplier to Nippon Telephone & Telegraph and has recently made significant inroads in Australia. A BCI consulting contract has enabled Nortel to displace Alcatel of France as the dominant supplier of switching equipment to Morocco.

Mr Cyr said BCE's corporate strategy reached a turning point last year when a deal fell through to bring in the giant Toronto-based developer Olympia & York Developments as a partner in BCE's troubled real estate subsidiary, BCE Development Corp.

The collapse of this deal came as doubts were growing about the wisdom of a diversification drive which turned BCE into a shapeless conglomerate whose interests included a 67 per cent stake in BCED; 49 per cent of Canada's largest gas pipeline operator, TransCanada PipeLines; and investments in publishing and high-technology.

BCE was paying a high price for moving into more volatile businesses.

It is the only company in Canada to have posted annual earnings of more than a billion dollars, but the last time it did so was in 1987.

Net income last year was 8 per cent lower than in 1983, even though revenues almost doubled over the period. Return on equity has halved, and the share price has been on a plateau for six years.

In what appears to be a contradiction of its policy of sticking to its core telecoms business, BCE entered the financial services sector last year by paying C$877m for Montreal Trustco, Canada's fifth biggest trust and loan company.

Mr Cyr, who left school at the age of 13 before going on to become an engineer, has brought a more hard-nosed approach to BCE than his patrician predecessor, Mr Jean de Grandpre.

"Ray Cyr is a very tenacious, determined, bottom-line individual who has come up through the school of hard knocks," said Mr Douglas Cunningham, analyst at First Boston Canada.

Mr Cyr has spent much of the 15 months since he took over as chairman cleaning out BCE's stables. The company took a C$440m knock in 1989 to write off its investment in BCED, and has had to pour another C$250m into a refinancing of the real estate unit. A further loan may be required in coming months if BCED's bankers tighten the purse strings.

On other fronts, BCE set aside C$224m in the third quarter for loans to Kinburn Corp, an ailing information processing and paperboard holding company. It is in the process of selling its stake in TCPL and has converted its direct publishing interests into a 21 per cent portfolio investment in Quebecor, Quebec's leading newspaper publisher and commercial printer.

In what appears to be a contradiction of its new policy of sticking to core telecoms business, BCE entered the financial services sector last year by paying C$877m in cash and shares for Montreal Trustco, Canada's fifth biggest trust and loan company.

Mr Cyr insisted that while financial services are not about to become a core business of BCE, they make a good fit because financial institutions rely increasingly on telecommunications networks.

For instance, Montreal Trust and Bell-Northern Research are working on a new generation of automated-teller machines.

BCE also bought a 23 per cent stake last year in Videotron Corp. a British cable-TV company controlled by Canada's second biggest cable operator. Videotron has franchises in several London boroughs and in Southampton.

"It may turn out to be just a good investment in a cable system," Mr Cyr said. "But if it permits us to put telecom service on the cable, it will be a valuable lesson for other parts of the world."

Mallya acquires MCF

By Gita Piramal in Bombay

MR VIJAY Mallya, an Indian liquor and paint tycoon, has acquired Mangalore Chemicals and Fertilisers (MCF), one of the biggest chemical companies in southern India, after stalking it for almost two years.

In a series of rapid moves yesterday, Mr Mallya joined MCF's board as chairman and Mr N.B. Chandran, his nominee, was appointed managing director.

The battle for MCF began two years ago when the Karnataka state government put it up for sale. Mr Mallya won the company against bids from: Mr Manu Chabria, the Dubai-based entertainment tycoon; the Tatas, the family that controls India's biggest business house; Rashtriya Chemical and Fertilizers (RCF), an important public sector company; and Eid-parry, a leading southern Indian engineering group.

Despite the keenness of the battle for MCF, it is a rather tarnished prize. Its accumulated losses stand at Rs700m ($39.5m) while its total bank liabilities are close to Rs2bn. However Mr Mallya said: "Our projections show that MCF will start making a profit of Rs300m by 1995."

INTERNATIONAL CAPITAL MARKETS

Gilts seesaw as Tory fight over leadership intensifies

By Deborah Hargreaves

GILT-EDGED securities experienced a volatile day yesterday as traders reacted to developments in UK politics.

The market was initially depressed by the decision by Mrs Margaret Thatcher, the prime minister, to resign as leader of the Conservative party.

However, on an early rumour that Mr John Major, the chancellor, had decided to throw his hat into the ring, financial markets went wild: sterling rose against the D-Mark and gilts prices advanced.

The market lost some of its gains later when the candidatures of both Mr Douglas Hurd, the foreign secretary, and Mr Major were announced, since the fact that both of them have decided to stand is likely to prolong the contest to a third ballot.

In addition, the decline announced yesterday in the M0 figure – the narrow measure of money in circulation – showed slowed growth, which is a good indication of recession. The current account data were not as good as expected, but showed some underlying improvement.

Both these figures were positive for bonds, and the long end of the market closed at a higher level. A benchmark bond maturing in 2003/07 was up ¼ of a point on the day at 104$\frac{1}{16}$ to offer a yield of 11.08 per cent.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	08/92	103-22	+05/32	11.19	11.43	11.85
		9.000	03/00	88-27	+19/32	10.93	11.30	11.39
		9.000	10/08	88-31	+19/32	10.63	10.96	10.94
US TREASURY *		8.500	08/00	101-18	+0/32	8.27	8.38	8.66
		8.750	08/20	103-17	+02/32	8.42	8.53	8.79
JAPAN	No 119	4.800	6/99	86.0384	+0.517	7.47	7.83	7.74
	No 129	6.400	03/00	95.5623	+0.346	7.20	7.49	7.46
GERMANY		9.000	10/00	101.6000	+0.300	8.75	9.01	8.96
FRANCE	BTAN	9.000	11/95	95.6405	-0.109	10.15	10.27	10.14
	OAT	8.500	03/00	90.7000	+0.140	10.06	10.30	10.24
CANADA *		10.500	07/00	100.3000	+0.300	10.45	10.55	11.28
NETHERLANDS		9.250	11/00	101.2700	+0.080	9.05	9.19	9.18
AUSTRALIA		13.000	07/00	104.6549	+0.288	12.16	12.50	13.34

London closing, *denotes New York morning session
Yields: Local market standard
Prices: US, UK in 32nds, others in decimal

Technical Data/ATLAS Price Sources

GOVERNMENT BONDS

■ IN JAPAN, bond prices were boosted by the continuing strength of world bond markets led mainly by the US. The market closed at a level of 7.46 per cent in Tokyo and was not much different in later, London trading.

Bond investors in Japan believe that the easing of US interest rates will soon flow through to Tokyo, where the Bank of Japan will be forced to bring interest rates down. However, the BoJ moved to keep liquidity tight yesterday.

The government is due to make its next regular auction of bonds on Tuesday when traders expect it to sell Y600bn-Y700bn of bonds with a coupon of about 7 per cent.

■ GERMAN bond prices were boosted by the general improvement in prices worldwide, but the market was extremely quiet and futures prices dropped back in later trading to close unchanged on the day. The futures price closed at a level of 83.20 after reaching as high as 83.51.

The German market is bracing itself for the release of a slew of economic data next week – the consumer price index will be announced as well as money supply figures. With prices at current levels, yields on German 10-year bonds are testing the 8.75 per cent mark which could prove a resistance level.

■ DANISH government bonds were little moved by the government's decision to call an early election. The market had been expecting the announcement and opinion polls point to the party presently in office being re-elected.

In addition, Danish economic data is strong. Consumer price figures, due to be released today, are expected to show an inflation rate of 2.5 to 2.8 per cent. The current account is also expected to move into surplus for the first time in 26 years. The benchmark Danish bond is currently yielding 10.88 per cent.

■ The New York bond markets were closed yesterday for for Thanksgiving holiday.

Loan of $308m for Thai plastics plant

By Deborah Hargreaves

VINYTHAI, a Thai plastics company, has secured a $308m project finance loan from a group of international and local banks. Chase Manhattan and Credit Lyonnais have been awarded the mandate to arrange the offshore portion of the financing, which totals $226m.

The funds will be invested in a project on the East coast of Thailand to build a polyvinylchloride plant which will be operational in 1992, and an electrolysis unit to come on stream in 1994.

The financing comes partly under the auspices of the International Finance Corporation, an affiliate of the World Bank, which has agreed to lend $50m on its own account and help to syndicate the rest of the facilities.

● Bank of Tokyo has arranged a £25m ($49m) project finance loan for Disley Paper Company, which was taken over by Kruger, a major Canadian pulp and paper business, last year. The funds are expected to be used to instal additional capacity for the production of various types of tissue paper. The funding will be provided by Bank of Tokyo and National Westminster over a term of nine years.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:10 pm on November 22

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	100¼	100¾		8.71
ALBERTA PROVINCE 9 3/8 95	600	102½	102¾	+⅛	8.72
AUSTRIA 8 1/2 00	400	96¾	96¾	+⅛	9.09
BANK OF TOKYO 8 3/8 96	100	96⅝	97⅛	+⅛	9.16
BELGIUM 9 1/8 92	400	101¼	101⅝		8.32
BFCE 7 3/4 97	150	95	95¾	+⅛	8.80
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
COUNCIL EUROPE 4 3/4 98	250	84¼	84¾		7.61
EEC 5 1/2 00	100	85¾	86½		7.62
EIB 5 3/4 93	100	97½	98½	+½	6.71
FINLAND 5 3/8 95	150	94½	95	-½	6.72
GENERAL MOTORS 7 1/2 95	100	100½	101		7.36
JAPAN DEV BK 5 1/2 94	100	94¾	95¼	-⅛	7.57
MOUNT ISA FINANCE 5 3/4 94	100	86	88		10.78
NEW ZEALAND 4 7/8 99	200	82¾	83½		7.79
QUEBEC HYDRO 5 08	100	75½	76½	+½	7.58
SKANDINAVISKA ENSK 6 1/2 95	100	96	97		7.66
WORLD BANK 5 03	150	79½	80		7.56
WORLD BANK 7 1/4 92	100	100¾	101¼		6.72

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
AUSTRIA 4 3/4 94	30000	93⅛	93⅝	+⅛	7.26
CANADA 4 3/8 92	80000	95¾	96	+⅛	7.27
CREDIT FONCIER 5 1/4 94	20000	92¼	92¾	+⅛	7.52
DENMARK 7 95	40000	99	99¼		7.27
EIB 4 5/8 94	40000	92	92¼	+⅛	7.31
GENERAL ELECTRIC 5 3/4 93	35000	95¾	96¼	+⅛	7.77
INTER AMER DEV 7 1/4 00	30000	100	100⅛	+⅛	7.24
ITALY 5 3/4 92	150000	98¼	98⅝		7.36
KANSAI ELEC PWR 4 5/8 94	60000	92	92⅜	+⅛	7.33
NIPPON TEL & TEL 5 7/8 96	50000	93⅜	93⅝	+⅛	7.30
NORWAY 5 1/8 95	50000	92¼	92⅝	+⅛	7.28
SWEDEN 5 5/8 95	20000	92⅞	93⅜	+⅛	7.42
WORLD BANK 6 3/4 00	50000	97⅛	97⅝	+⅛	7.18

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
COUNCIL EUROPE 7 94 LFr	600	91⅝	92⅝		10.13
KREDIETBANK 7 93 LFr	1000	93	94		10.05
WORLD BANK 8 96 LFr	1000	92¼	93¼		9.89
AMRO BANK 6 1/4 92 Fl	150	94⅝	95⅛		9.74
RABOBANK 5 3/4 93 Fl	150	92¼	93		9.68
ALBERTA PROVINCE 10 92 C$	500	97⅜	98¼		11.40
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES	Spread	Bid	Offer	C.cpn
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
STATE BK VICTORIA 0.05 99	125	97.44	97.69	8.4375
UNITED KINGDOM -1/8 96	4000	100.01	100.06	8.2500

CONVERTIBLE BONDS	Issued	Cnv. price	Bid	Offer	Prem.
ARGYLL GROUP 4 1/2 02 £	60	2.95	104⅜	105½	+28.83
ASDA-MFI 4 3/4 02 £	100	1.64	109⅝	110⅝	+36.93
BURTON GROUP 4 3/4 01 £	110	3.15	103⅛	104⅞	
EASTMAN KODAK 6 3/8 01	300	50.67	96	97	+13.79
GOLD KALGOORLIE 7 1/2 00	65	1.0554	67¼	68¼	+33.29
GOODYEAR TIRE 6 7/8 03	150	80¼	47¼	49¼	
GRACE (WR) 6 1/4 02	150	42⅛	67¼	68¾	+32.53
GRAND MET 6 1/4 02 £	100	6.58	93¾	94¾	+4.20
HAWLEY 6 02 PREF	400	1.91	92⅝	94	+38.75
HILLSDOWN 4 1/2 02 £	150	4.16	103⅝	104⅝	+67.33
INTL PAPER 5 3/4 02	200	68½	84¼	85¾	+16.12
LAND SECS 6 3/4 02 £	84	6.72	84¾	85¾	+6.02
MITSUBISHI BK 1 3/4 02	300	2727.3	79½	81½	+1.99
OGDEN 6 02	85	39.077	62¼	63¾	+29.74
PACIFIC DUNLOP 6 3/4 97	75	3.749	102¾	103¾	+1.37
TEXAS INSTRUMENTS 2 3/4 02	300	82¾	78⅝	79⅝	
THORN EMI 5 3/4 04 £	165	7.45	104½	105½	+19.81

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Germans turn hands to options writing

Katharine Campbell on the use of options as a sweetener to sell more bonds to help fund German unity

THE German government has emerged as the largest writer of options within the D-Mark derivatives market in one of the stranger side-effects of the increasing number of financing requirements related to unity.

Derivatives markets have been slow to catch on in Germany, and the conservative central authorities might have been assumed to be the least likely candidates to breathe life into these products.

Writing options, also, can be a risky strategy, in contrast to buying where the risk is defined at the outset.

But gross public authority debt issuance this year has climbed to more than DM125bn ($84bn), compared with DM26bn last year. Foreigners, who normally buy many of the German bonds, have shown concern at the costs of unity, and been net sellers during the year.

The authorities have therefore had to be particularly resourceful in their debt management.

"Sweeteners, such as these attached options, have definitely helped to sell more paper in recent months," one Frankfurt-based trader remarked.

The banks have been profiting handsomely from the activity as well.

It is largely through the *Schuldschein* market that the government has become a granter of options. A resurgence of these privately-placed promissory notes since July, by east German official entities and by the German Unity Fund, has raised a total of more than DM20bn to date. Bonn has used Schuldscheine in times of heavy funding needs before, but not with the added derivatives.

In many of the issues, the authorities have included a one-year or, in most cases, two-year option for investors to put the stock back to the issuer. This embedded option has reduced borrowing costs when every basis point in yield has been politically sensitive.

For instance, a note with an 8¾ per cent coupon might be issued at par, DM1 dearer than the Bund paying an identical coupon. If the issue is puttable after two years, the authorities are effectively selling a put option for DM1 of premium (when it might be worth, say, DM4 in the market).

Banks have bought the notes, often as part of swaps transactions, and stripped out the cheap option, selling it on to marketmakers in the blossoming over-the-counter bund options market and generating hefty margins on the way.

The extent of the government's activities has even caused considerable market distortion, dealers say, driving option volatilities down to near-lows because of the sudden extra supply in the longer-dated instruments. Nevertheless, some argue, this reduction in volatility has had an important stabilising effect on the market, in contrast to earlier in the year when volatilities soared.

The government, which has underpriced its options to help cap borrowing costs this year, will end up paying more if interest rates are higher in two years' time when it will have to refund the paper returned from investors.

The government's options have been an important stimulus to the market in over-the-counter bund options. Developed largely by foreign banks, notably Citibank and J.P. Morgan in Frankfurt, the domestic banks now realise how profitable marketmaking in this range of products can be, and are attempting to buy their way in by luring traders from foreign houses.

Chairman-elect of SIA named

MR THOMAS James, president and chief executive officer of Raymond James & Associates, of Florida, has been nominated to the Securities Industry Association's new post of chairman-elect, the SIA said, AP-DJ reports from New York.

Mr James will serve as an officer and director in 1991 and, all being well, will be nominated as chairman for 1992.

Mr Gedale B. Horowitz, executive vice president and a director of Salomon, was previously nominated as 1991 chairman.

Member firms elect SIA directors, who elect officers at the annual convention, scheduled this year for November 28 to December 1.

INTERNATIONAL CAPITAL MARKETS

James Capel gives up gilts arm

By David Lascelles, Banking Editor

THE Hongkong and Shanghai Bank is transferring its London gilt-edged dealing business out of James Capel, its stockbroking arm, into its own treasury.

The bank said yesterday that the change would enable the business to achieve better returns and provide a more effective service.

Mr Guy Heald, the chief treasury manager, said the bank would develop gilts as part of its trading of liquid instruments across the interest rate spectrum, and this would complement the risk management and derivatives business. The operation will still trade as James Capel Gilts.

Other businesses in James Capel's fixed interest division will be reorganised, and there will be 41 redundancies.

The change matches similar moves made by other banks, such as National Westminster, which have found it more convenient to manage gilts-dealing in their central treasuries.

Mr David Dugdale, the joint chief executive of Capel, said the change was not connected to the Hongkong Bank's proposed alliance with the Midland Bank.

Company borrowing figures may paint a too-red picture

Simon London looks at corporate sector finances

BORROWINGS by UK companies from banks and capital markets are likely to fall further next year, after declining from £60bn in 1989 to £45bn ($88bn) this year, according to Nomura Research Institute, the research arm of the Japanese securities house.

However, Mr Chris Dillow, economist at Nomura, suggests that the UK corporate sector finances are in better financial shape than official figures show. In particular, he argues that the record corporate financial deficit of £10.2bn in the second quarter of this year is misleading.

The deficit, defined as the difference between retained income and investment, does not tally with official measures of the corporate net borrowing requirement, which stood at its lowest level since 1985 in the second quarter this year.

It appears that companies are spending far more than they are earning: but it also appears that companies are not borrowing to cover this deficit.

Mr Dillow's favoured interpretation is that official measures of the corporate sector financial deficit ignore crucial items. In particular, the high finance deficit is being overestimated because income from overseas and non-trading activities is not picked up in official figures.

A better picture can be gained, he argues, by looking at corporate sector borrowing – made up of easy-to-measure bank lending and capital markets statistics. But measures of the net borrowing requirement, which point to a dramatic slowing of borrowing activity, may also be misleading, he suggests.

Nomura estimates that the borrowing requirement – net of accumulated financial assets – will fall from more than £50bn last year to just £25bn in 1990. But this "net borrowing requirement" masks items.

Hence, overall corporate borrowing was boosted in the first half of this year to the tune of £15.4bn by acquisition of financial assets. This is mostly due to healthy manufacturing companies building cash reserves. These figures are "netted out" of the net borrowing requirement and mask the true extent of borrowing in other sectors.

It appears that companies are spending far more than they are earning: but it also appears that companies are not borrowing to cover this deficit

Historic corporate borrowing figures do paint a patchy picture of specific problems within sectors. Thus property companies borrowed twice as much in the year to the end of August as did those that comprise the manufacturing sector. Some companies have been borrowing large amounts while others have been building liquid resources.

Moreover, on bare balance sheet ratios alone, UK companies in aggregate are less highly geared than they were in the early 1980s. Nomura estimates that UK companies could increase their bank borrowings by almost £20bn and still maintain an aggregate gearing ratio below that of 1982. Hence UK plc has the balance sheet capacity to borrow if it so desires.

The hurdle could be one of credit supply rather than demand. The capital markets – both debt and equity – are currently closed for many companies and this may continue into next year.

The banking system may therefore be asked to take up the slack. Demand just for bank borrowing by UK companies in 1990 and 1991 could thus be similar to last year's £33bn, even though overall borrowing has fallen. It then remains to be seen if, and at what price, the banks are willing to lend.

Standard Life tops mutual insurer league

STANDARD LIFE yesterday became the first mutual insurer in the UK to receive the highest AAA rating from Standard & Poor's, the US credit-rating agency, writes Stephen Fidler.

The high rating, which relects the ability of the company to pay claims, is based on "the company's robust earnings and business review, with its resulting powerful market position and its conservative capitalisation."

Bond Corp chooses four to oversee debt plan

By Kevin Brown in Sydney

BOND Corporation Holdings, the embattled quoted flagship formerly run by Mr Alan Bond, yesterday announced the appointment of four directors to represent the convertible bondholders who are likely to take control of the group after a debt-for-equity swap.

The appointments give the bondholders equal representation on the Bond Corporation board with the existing directors, led by Mr Peter Lucas, who replaced Mr Bond as chairman in September.

Bond Corporation said the appointments confirmed earlier indications of support from the convertible bondholders for a proposed scheme of arrangement which would transfer to them about 90 per cent of the company's shares.

Mr Bond retains control of 58 per cent of Bond Corporation through Dallhold, his private family company, but has undertaken not to vote more than 25 per cent of Bond Corporation's shares.

Bond Corporation said the appointment to the board of a representative of Dallhold would be considered later. However, the convertible bondholders are unlikely to agree to allow Mr Bond to rejoin the board.

Bond Corporation is estimated to have negative net worth of more than A$1bn (US$769m) following losses of A$980m for 1988/89 and A$2.24bn for the year to June 30.

The group is expected to present a draft version of the proposed scheme of arrangement to the Western Australia supreme court on December 10, and has asked the Australian Stock Exchange to consider lifting the suspension of trading in its shares, which was imposed last year.

However, the reconstruction of the company is unlikely to take place before March.

Mr Kim McGrath, one of the newly appointed directors, said the proposed debt-for-equity swap could deliver up to 25 cents in the dollar to bondholders, most of whom are based in Europe.

Pension fund looks into the future

By Deborah Hargreaves

FIDELITY is set to become the latest pension fund to dip its toe into the derivatives markets as institutions turn more attention to futures and options.

The Boston-based pension fund is one of many institutions looking at an involvement in the UK's derivatives markets after changes to the tax treatment of the instruments have removed a penalty for using them.

Fidelity Investments in London is setting up a derivatives management team that will be available to all its fund managers. The operation will be headed by Mr Trevor Robinson, who spent three years at Scottish Provident using futures and options before a brief sojourn at Credit Suisse First Boston.

Mr Robinson expects the fund to make its first forays into derivatives next year once its infrastructure is in place. He reckons that derivatives will be important for Fidelity since the pension fund is renowned for its stock-picking ability.

For this reason, the fund often invests in obscure stocks for which there is not a liquid market. Mr Robinson foresees using futures to take a view on the entire market but leave the stock portfolio intact.

In this way, he could sell stock index futures if he thought the market would go down. If he wanted to follow this by selling the stocks, he would have the leisure to do it over a longer period, and would then buy back the futures contracts.

"With futures you can separate the market performance from the performance of the individual stocks in your portfolio," he explains.

This sort of strategy enables a fund manager to take a short-term view of the market, but a long-term view of a stock or stock portfolio. The same method could be used for shifting funds from one market to another overseas.

Fidelity is also considering setting up unit trusts to invest in futures and options when the UK's rules on authorised futures and options funds are passed next year.

Fidelity has $110bn of funds under management in the US with another $10bn in the UK. The derivatives unit will operate as a resource for the entire company, since US fund managers have not made much use of futures and options.

The senior management at Fidelity in the US has usually seen futures and options as short-term instruments and believed that a long-term investor, such as a pension fund, should avoid them.

Mr Robinson is hoping to erode some of that resistance. "If we get it right in the UK, then they will come to us. I don't want to force them to use these products, but if we can use them consistently to add performance to our funds, then they will see the benefits."

The use of derivatives should boost performance from one quartile of the pension fund chart to the next, Mr Robinson says. "You can make an appreciable impact, depending on what the market does."

Market volatility has made it easier to convince managers and trustees that derivatives are important.

EIB and Ontario Hydro swap deal returns

By Simon London

THE EUROPEAN Investment Bank and Ontario Hydro co-ordinated their efforts to overcome the paucity of currency swaps opportunities by directly exchanging the proceeds of two deals yesterday, both lead managed by J.P. Morgan.

The EIB came with a C$150m 10-year deal, offering an 11¼ per cent coupon. Priced at 101.40, the paper yields 55 basis points over Canadian government bonds.

Activity has revived in the Canadian dollar sector on the back of a rally in US dollar bonds. Canadian dollar bonds stand at a spread of about 250 basis points over the US equivalent, and investors are hoping this gap will decline as the Canadian dollar bonds rally.

However, most activity in the Canadian has been at shorter maturities and the issuer was able to tap keen demand for longer-dated paper. From a fixed reoffer price of 99.775, the paper traded up to 99.80 bid once the syndicate was broken, against full fees of 2 per cent.

As its debut issue in the sector, Ontario Hydro came with a SFr150m 10-year issue, carrying a coupon of 7⅜ per cent. The paper was issued at 101½ and traded at less 1¾ bid, inside full fees of 2⅛ per cent.

In the Australian dollar sector, Commonwealth Bank of Australia came with a A$150m seven-year deal via Hambros. There is a shortage of liquid paper at this maturity and the quality of the borrower, guaranteed by the Commonwealth of Australia, ensured a good reception from institutional investors. The paper was launched at 101.25 and traded at 100.82 bid, inside full fees of 2 per cent.

In contrast, Cadbury Schweppes Australia came with a A$75m three-year deal lead-managed by Dresdner Bank. With a shorter maturity and smaller, less liquid issue, the paper was aimed more at usual continental retail investors in Australian dollar paper.

Although guaranteed by the issuer's UK parent company, the deal had to work against suspicion of corporate borrowers – whatever the quality – in the current economic environment.

The paper traded at less 1½ bid, a discount equivalent to full fees.

In the sterling sector, British Gas again increased the size of its 13 per cent three-year issue. A further £50m was added yesterday, following £75m on Wednesday, lead-managed by Credit Suisse First Boston. The new paper is fungible from January 1991 and will bring the total outstanding in the issue to £300m.

INTERNATIONAL BONDS

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Yukong Ltd(d)†◆	70	(d)	100	1998	77.5/50bp	Manu.Hanover Asia Ltd
CANADIAN DOLLARS						
EIB(a)◆	150	11¼	101.40	2001	2/1¾	JP Morgan Secs.
AUSTRALIAN DOLLARS						
C'wealth Bk of Australia(a)◆	150	12¾	101¼	1998	2/1¼	Hambros
Cad.Schweppes Aust.(a)◆	75	13¼	101⅞	1993	1½/1	Dresdner Bank AG
FIH Int.SA(b)◆	65	(b)	101.90	1996	-	JP Morgan Secs.
SWISS FRANCS						
Ontario Hydro(a)◆	150	7⅜	101½	2001	-	JP Morgan (Suisse)
Tokyo Leasing(a)◆	30	8⅛	100	1995	-	Dai-Ichi Kangyo Bk
FRENCH FRANCS						
Republic of Finland(a)◆	1.2bn	10¼	101.45	1995	1⅞/1¼	BNP Capital Mkts.
STERLING						
British Gas(c)◆	125	13	103.725	1993	-	CSFB
YEN						
SBAB(a)◆	20bn	7½	101$\frac{3}{16}$	1993	1⅜/1$\frac{3}{16}$	Nomura Int.

★★Private Placement. §Convertible. ¢With Equity Warrants. †Floating Rate Note. ◆Final Terms. a) Non callable. b) Issue carries initial coupon of 28½%, paid on 26/2/91 which steps down to 11.10% thereafter. c) The amount has been increased from existing £75mn and the deal becomes fungible with the outstanding £175mn bond from 22/1/1991. d) Put option at par in years 5, 6 and 7 with a fee of 20bp if not exercised. Callable at par on each payment date after 5 years. Coupon pays 6-month Libor + 15bp.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Thursday November 22 1990 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1990 to date	Wed Nov 21 Index No.	Tue Nov 20 Index No.	Mon Nov 19 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (195)	714.17	-0.4	15.01	6.68	8.14	34.18	717.37	712.74	704.43	863.70
2	Building Materials (26)	964.19	+0.2	15.05	6.34	8.17	41.09	962.28	961.37	944.05	1034.92
3	Contracting, Construction (34)	1151.79	+0.2	16.35	6.96	7.94	59.48	1149.50	1143.05	1135.69	1385.64
4	Electricals (10)	1886.96	......	14.87	7.14	8.23	99.22	1887.05	1886.26	1861.98	2420.24
5	Electronics (26)	1613.12	-0.8	10.46	5.33	13.01	60.29	1626.73	1623.72	1603.25	1901.35
6	Engineering-Aerospace (8)	404.36	-2.8	16.58	6.02	7.23	17.27	415.83	409.38	405.67	0.00
7	Engineering-General (47)	353.88	-0.3	16.34	7.30	7.39	18.02	354.88	353.89	352.25	0.00
8	Metals and Metal Forming (8)	389.08	+0.7	23.83	8.78	5.16	24.83	386.25	383.07	387.32	457.44
9	Motors (13)	286.06	-1.1	17.46	8.41	6.67	17.45	289.25	290.28	286.84	352.40
10	Other Industrial Materials (23)	1206.23	-0.5	13.94	6.76	8.29	62.04	1212.35	1192.59	1172.76	1623.57
21	CONSUMER GROUP (177)	1205.43	+0.2	10.12	4.25	12.24	35.49	1203.54	1200.74	1195.81	1246.61
22	Brewers and Distillers (22)	1525.00	-0.4	10.39	3.89	11.66	33.88	1531.15	1533.19	1531.67	1406.81
25	Food Manufacturing (19)	1017.28	+0.5	11.37	4.84	10.85	31.63	1012.08	1013.36	1008.14	1100.72
26	Food Retailing (16)	2262.40	-0.2	9.64	3.28	13.53	58.72	2266.33	2255.76	2232.82	2240.86
27	Health and Household (18)	2405.68	+0.5	7.39	3.15	16.04	59.14	2393.46	2384.47	2369.76	2529.75
29	Leisure (31)	1219.66	-0.2	12.50	5.45	9.73	44.64	1222.25	1231.51	1230.19	1564.10
31	Packaging & Paper (12)	502.57	+0.6	12.81	6.93	9.58	23.79	499.44	497.69	489.21	530.80
32	Publishing & Printing (13)	2893.35	......	12.22	6.49	10.28	139.88	2893.48	2872.71	2914.03	3626.39
34	Stores (34)	828.02	+0.5	10.32	4.40	12.58	25.63	824.18	816.87	812.39	757.29
35	Textiles (12)	422.45	......	13.98	8.40	9.07	26.32	422.50	418.93	415.52	502.39
40	OTHER GROUPS (107)	985.37	+0.2	12.75	5.83	9.52	33.65	983.89	977.41	970.32	1116.32
41	Agencies (15)	912.16	+0.7	11.72	3.70	10.33	23.93	906.11	924.56	940.23	1494.57
42	Chemicals (24)	1040.98	+0.9	13.02	6.48	9.06	50.79	1031.67	1027.35	1013.58	1180.28
43	Conglomerates (14)	1288.03	-0.6	13.20	7.78	9.09	41.19	1295.57	1266.85	1252.95	1616.38
44	Transport (15)	1829.93	+0.1	14.04	5.57	8.78	72.05	1827.68	1815.71	1802.30	2121.83
46	Telephone Networks(3)	1134.11	-0.2	11.79	4.45	11.02	26.09	1135.95	1135.00	1122.71	1093.63
47	Water(10)	2092.08	+1.8	13.87	6.47	8.17	68.12	2054.76	2031.88	2009.21	0.00
48	Miscellaneous (26)	1492.47	-0.2	12.55	5.92	9.26	63.59	1495.38	1484.10	1490.41	1849.82
49	INDUSTRIAL GROUP (479)	1018.43	......	12.00	5.27	10.21	35.60	1018.20	1013.57	1006.75	1123.97
51	Oil & Gas (21)	2309.11	+0.8	9.69	5.45	13.48	95.39	2291.11	2286.04	2250.45	2221.21
59	500 SHARE INDEX (500)	1124.29	+0.1	11.64	5.30	10.61	40.42	1122.73	1118.02	1108.97	1215.79
61	FINANCIAL GROUP (102)	717.52	+0.2	–	6.65	–	34.02	716.41	709.74	703.04	784.35
62	Banks (9)	765.41	-0.3	21.37	7.53	6.13	42.00	767.59	761.84	752.77	819.77
65	Insurance (Life) (7)	1299.79	+1.0	–	5.91	–	55.82	1286.58	1276.49	1271.06	1312.39
66	Insurance (Composite) (6)	624.36	+0.1	–	6.85	–	32.08	623.84	609.08	604.74	652.91
67	Insurance (Brokers) (8)	960.99	+1.1	7.88	6.70	16.63	48.39	950.49	948.03	959.39	1070.66
68	Merchant Banks (7)	347.27	+0.5	5.58	5.88	23.88	14.24	345.71	345.42	338.30	420.68
69	Property (44)	977.38	+0.1	7.58	5.01	17.44	30.55	976.22	972.20	956.61	1160.22
70	Other Financial (21)	246.53	+0.9	11.47	7.31	11.20	13.00	244.43	243.07	243.91	312.56
71	Investment Trusts (70)	1007.40	+0.3	–	3.99	–	28.74	1004.44	1004.25	1001.48	1229.34
91	Overseas Traders (5)	1188.60	+0.4	12.01	7.77	9.91	70.90	1183.81	1178.98	1162.27	1405.61
99	ALL-SHARE INDEX (677)	1023.82	+0.1	–	5.48	–	38.48	1022.31	1017.38	1009.06	1113.02

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Nov 21	Nov 20	Nov 19	Nov 16	Nov 15	Year ago
FT-SE 100 SHARE INDEX‡	2127.9	+1.6	2160.7	2123.0	2126.3	2115.2	2095.9	2068.0	2060.0	2220.5

FIXED INTEREST

	PRICE INDICES	Thu Nov 22	Day's change %	Wed Nov 21	xd adj. today	xd adj. 1990 to date
	British Government					
1	Up to 5 years	120.01	+0.39	119.54	–	10.71
2	5-15 years	126.51	+0.57	125.80	–	11.95
3	Over 15 years	127.46	+0.61	126.69	–	10.78
4	Irredeemables	142.89	+0.74	141.84	–	13.46
5	All stocks	126.26	+0.51	125.62	–	11.55
	Index-Linked					
6	Up to 5 years	157.66	+0.12	157.48	–	3.04
7	Over 5 years	144.34	+0.26	143.97	–	3.45
8	All stocks	145.22	+0.25	144.87	–	3.42
9	Debentures & Loans	100.28	+0.18	100.10	–	10.99
10	Preference	72.99	+0.13	72.89	–	6.44

	AVERAGE GROSS REDEMPTION YIELDS		Thu Nov 22	Wed Nov 21	Year ago (approx.)
	British Government				
1	Low	5 years	9.73	10.14	10.10
2	Coupons	15 years	10.46	10.49	9.75
3		25 years	10.49	10.52	9.68
4	Medium	5 years	11.00	11.13	11.17
5	Coupons	15 years	10.89	10.97	10.12
6		25 years	10.82	10.88	9.76
7	High	5 years	11.13	11.26	11.29
8	Coupons	15 years	11.10	11.18	10.33
9		25 years	11.08	11.11	9.91
10	Irredeemables	†	10.69	10.77	9.78
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	3.76	3.80	3.79
12	Inflation rate 5%	Over 5 yrs.	4.16	4.18	3.69
13	Inflation rate 10%	Up to 5 yrs.	2.45	2.49	2.90
14	Inflation rate 10%	Over 5 yrs.	3.97	3.98	3.51
15	Debs &	5 years	13.47	13.41	12.59
16	Loans	15 years	12.94	12.93	12.11
17		25 years	12.58	12.60	12.11
18	Preference	†	12.90	12.91	10.77

‡Opening index 2131.3; 9 am 2124.6; 10 am 2152.9; 11 am 2148.6; Noon 2136.4; 1 pm 2136.1; 2 pm 2129.7; 2.30 pm 2130.4; 3 pm 2125.2; 4.10 pm 2128.0; (a) 9.44am (b) 2.46pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 35p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	86	0	0
Corporations, Dominion and Foreign Bonds	9	0	12
Industrials	345	257	945
Financial and Properties	209	103	430
Oils	16	21	54
Plantations	1	1	8
Mines	30	26	96
Others	54	46	105
Totals	750	454	1,650

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

TRADITIONAL OPTIONS

- First Dealings Nov. 12
- Last Dealings Nov. 23
- Last Declarations Feb. 21
- For settlement March 4

For rate indications see end of London Share Service

Calls in Brent Walker, Davy Corp., T. Cowie, Tusker Res. and T & N. Puts in Brent Walker, Granada and Hardanger Props.

LONDON TRADED OPTIONS

EQUITY FUTURES moved higher after Mrs Margaret Thatcher announced her resignation as prime minister although later gave up most of their gains after it became clear that Conservative party leadership election would be extended by the entry of other candidates into the contest.

The December FT-SE 100 index rose almost 50 points to 2,200 soon after Mrs Thatcher's resignation as the market initially hoped that the way had been cleared for Mr Michael Heseltine to win the leadership election.

Trading was described as hectic and immediately after the announcement there were no sellers. The December shot up to a premium over the cash market of 50 points and pulled the cash index higher.

However, the market began to move away from its best levels following news that Mr Douglas Hurd, the foreign secretary and Mr John Major, the chancellor of the exchequer, would join the leadership contest. Dealers said this would only prolong the current political uncertainty.

December FT-SE eventually closed at 2,156, up 3 points on the day. December's premium over the cash index finished at 26 points, against 28 in the previous session and brokers' fair value calculation of 15 points.

In the traded options market, dealing was concentrated in the FT-SE contracts. The sharp rise in futures led to active buying of November 2,050 and 2,100 calls. But as futures began to weaken there was interest in index puts.

Turnover in FT-SE options rose to 12,117 as James Capel bought 1,500 December 2,050 puts and sold the same quantity of December 2,250 calls. In the Euro FT-SE, Barclays de Zoete Wedd bought 750 September 2,125 puts and sold 750 September 1,825 puts.

Among the stock options Ladbroke was the busiest as BZW bought 600 January 280 calls.

Option		Calls Jan	Calls Apr	Calls Jul	Puts Jan	Puts Apr	Puts Jul
Alld Lyons (*490)	460	40	60	67	9	16	22
	500	17	35	43	27	35	38
	550	5	17	–	68	70	–
ASDA (*128)	110	21	24	–	2	4	–
	120	13	18	22	4½	7½	9
	130	7	13	18	8	12	14
Trafalgar (*175)	160	22	29	30	9	20	26
	180	12	21	22	22	30	36
	200	5	13	15	35	45	48
Utd. Biscuits (*318)	300	31	39	43	5½	12	14
	330	13	20	29	19	26	28

Option		Calls Dec	Calls Mar	Calls Jun	Puts Dec	Puts Mar	Puts Jun
Amstrad (*66)	60	8	11½	15½	2½	4½	7
	70	2¼	6½	9	7	11	12
Barclays (*372)	360	–	43	47	–	21	28
	390	–	24	35	–	40	42
Blue Circle (*214)	200	19	30	33	3½	9	14
	220	6½	19	22	13	18	24

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UK COMPANY NEWS

Losses cut to £88m on back of increased turnover in both businesses

British Gas lifts dividend by 17%

By Juliet Sychrava

BRITISH GAS surprised the City by announcing an interim dividend of 3.75p, a 17.2 per cent rise on the previous year and well above the 12.5 to 16 per cent forecast range. However, the company pointed out, it would be unwise to draw any conclusion about the full-year figures from yesterday's results.

The company, which typically makes its profits in the colder second half of the year, cut its current cost pre-tax loss from £112m to £88m in the six months to September 30. Post-tax losses amounted to £100m, compared with £114m last time.

Turnover rose 7.3 per cent to £2.96bn.

British Gas, which downplayed the dividend increase as simply consistent with its progressive policy, added that it might go some way towards answering City claims that pay-outs had been too low in the past.

There would be no rebalancing of the interim and final dividends, the company maintained.

Turnover in both the company's main businesses was up: exploration and production revenues rose 65 per cent to £349m, largely as a result of the company's decision to increase production from its Morecambe gas field. Current cost profit for the division improved from £26m to £73m, better than most analysts had expected.

The gas supply business, however, performed slightly less well.

Revenues rose by a modest 6.5 per cent to £2.42bn, giving a current cost loss of £157m, compared with a £142m loss the previous year.

This was mainly due to a fall in volumes and revenues in the contract market, where British Gas took the decision not to increase prices to its industrial and commercial customers in line with oil until its own supply costs had risen. The higher oil price, British Gas noted, was unlikely to have any impact on its business this year.

In the tariff market, where British Gas increased prices to domestic consumers by 3.3 to 3.7 per cent per therm, the growth in customers was slightly disappointing. British Gas gained 82,000 new customers, and expects that to rise to 250,000 by the end of the year, against the 280,000 it added last year.

The company was positive about the long-term outlook for gas consumption. Underlying volumes in the tariff market were up by 2 to 3 per cent. It expected UK gas consumption to rise 30 per cent over the next five to seven years, British Gas said, and it would transport most of that gas.

Gas, said Mr Robert Evans, chairman, was still about one-third of the price of standard electricity. He welcomed the competition being introduced into the gas industry, and said that he hoped to be able to move away from published prices to market pricing in the future.

The company also revealed that its acquisition of Consumers' Gas of Canada, first announced earlier this year, had been granted final approval.

Looking to the future, analysts believe the main problem the company faces is the imminent saturation of its gas supply market over the next three to five years.

"The regulators will tell them to tighten their price formula, and at the same time they will be saying that things are slowing down anyway. That's two negative signals to the market," one analyst commented.

Whether British Gas has taken the right decision in diversifying upstream is a matter of debate. While some City observers welcome the company's efforts to build up a large and cash-generative new business, others claim it has overpaid for its acquisitions, and would have done better to keep the £1.25bn it has spent since 1986 in the bank.

Analysts forecasts for the full year are around £1.25bn, with a full-year dividend of 12p to 12.5p.

See Lex
See page 31

Michael Lishman

Robert Evans: hoping to move from published to market pricing

Mackenzie family sells 21% stake in Tace

By Richard Gourlay

MR JOCK MACKENZIE, the chairman of Tace, the control equipment group, has sold his family's 21 per cent interest to Jannock Investments, a channel Island investment company founded by Mr David Mooney, a Vancouver-based financier.

Mr Mooney, who has the support of institutional holders and will become chairman, said he looked forward to developing products in the environmental monitoring area for EC markets.

The sale brings to an end a turbulent period since the announcement in May that the Tace board and some institutional shareholders were looking for a bidder for the entire company.

The institutions were unhappy with the way the company was being run and are understood to have pressed for the placement of the company in the market. A buyer failed to emerge.

Jannock paid £5.9m, or 285p a share, for the Mackenzie family interests, a 53 per cent premium to the 186p at which the shares closed yesterday.

Jannock also bought a 1.8 per cent block owned by SEET, Scotland's largest producer of Harris tweed and tartan cloth, where Mr Mackenzie is chairman. Mr Mackenzie will retire from the boards of Tace and Goring Kerr, the quoted metal detector company that is 51 per cent owned by Tace.

Mr Mooney said devices Tace had developed in the US to ensure compliance with Environmental Protection Agency laws could be more widely introduced into the EEC where similar regulations were imminent.

The companies that had developed those products had been managed as self-contained units and could benefit from more development internationally, he said. The same applied to Plastic Systems, the anti-static products division.

Mr Mooney's interests include Hudson Equities, his holding company, which has been involved in credit referencing, insurance broking and venture capital finance. He says he has been involved in finance, transport and real estate all his life and was once a director of the Vancouver Board of Trade.

Whessoe advances 36% and makes £6m Italian acquisition

By David Owen

WHESSOE, the engineering and pipework group, has reported a 36 per cent advance in annual profits and unveiled a £6.1m Italian acquisition.

The group has purchased Elcon Instruments, a maker of safety instruments and barriers, which would enable it to enter a growing market with limited competition.

"Whessoe's instrumentation and control businesses . . . operate internationally in complementary markets to Elcon," the group said. The shares rose 10p to close at 134p.

In the year to September 29 taxable profits amounted to £6.51m, against £4.78m. At £5.7m (£4m), the lion's share was generated by the engineering side; the smaller instrumentation and control chipped in with £809,000 (£777,000).

Turnover declined to £47.17m (£58.44m). In recent years the group had withdrawn from both heavy engineering and offshore module construction and, on the basis of ongoing operations, turnover showed a slight increase.

Aiton, the UK power piping arm, had won an order for work on a combined cycle gas turbine station to be built by Enron. Aiton was also helped by its ongoing contribution to the pressurised water reactor at Sizewell.

In addition, the group was awarded a £25m contract by the Greek Gas Authority for a liquid natural gas storage facility. It received £2.5m from the sale of property at Dock Point, Middlesbrough.

Earnings per share were ahead 30 per cent at 22.8p (17.5p). A final dividend of 4.5p makes a total of 6.25p (5p).

In 1989 a £4.73m charge was taken below the line in respect of the withdrawal from offshore module construction and the closure of workshops in Darlington.

Notwithstanding yesterday's acquisition, Whessoe will remain ungeared. "We continue to have cash," said Mr Chris Fleetwood, chief executive.

Under the deal, it will pay an initial consideration of £2.7m cash, while a further £2m is payable in instalments depending on future profit performance.

The remaining £1.4m will be held to satisfy any potential claims under warranties and indemnities. To the extent not utilised, it will be paid out (inclusive of interest) in instalments between 1995 and 1997.

SE allowed Brent Walker to omit details from refinancing document

By Maggie Urry

THE STOCK Exchange confirmed yesterday that it had permitted Brent Walker, the leisure company, to withhold some information from documents available for public inspection at the request of the company. The documents relate to the refinancing package agreed between the company and its banks over the last few weeks.

Blank spaces in the documents cover the financial ratios set by the banks to which Brent Walker must adhere and the list of lenders in the Global Facilities Agreement – the document which details the £1.06bn loan facility.

The Stock Exchange said that under Yellow Book rules – which set out requirements for companies which are listed on the exchange – the Quotations Committee had decided that the shareholders would not by misled by the lack of the information.

Under Section 3 of the Yellow Book, the committee can allow information to be omitted from documents if "disclosure of such information would be contrary to the public interest or seriously detrimental to the issuer". The company asked to omit the information under the latter provision.

At last week's special meeting of Brent Walker shareholders, some asked that they should be given the same information that bankers were being given. Mr George Walker, chairman and chief executive, told them that Stock Exchange rules prevented the group from saying anything that could be construed as a profit forecast.

The documents do reveal that the bankers are being paid a back-end fee of ½ per cent of the money they are promising. The loan facility amounts to £1.06bn and there is a standby facility of £30m. On these figures the fees would total £5.45m. A ½ per cent fee is not deemed unusual by bankers.

Further, the document relating to the bond issue and open offer to shareholders shows that Brent Walker is paying fees of £250,000 each to Hill Samuel, the merchant bank, and Smith New Court, the stockbroker.

More details of the placees of the bond issue can also be gleaned from the documents, which can be seen at the offices of the company's solicitors. These show that Svenska International, the Swedish-based bank, took not only the £25m tranche sold on to Jefferson Smurfit, the Irish packaging company, and to Mr Michael Smurfit, its chairman, but also another £16m.

No one at Svenska was available to comment yesterday, although bankers say that Svenska is a large lender to Brent Walker. When Brent Walker bought the Ellerman brewing business from the Barclay brothers, a deal announced in December 1988, Svenska syndicated a £243m facility to back a loan stock issued to fund the deal. Fees on that facility were 1 per cent.

Other placees of the bond issue include Hambro Group Investments, part of Hambros Bank, which took £5m of bonds which are still on its book; MMG Patricoff, a venture capital and corporate finance house, which said it had sold all the £10m bonds it took; Tunis International Bank which took £10m; and Citimet, a secretive Bahamas-based private investment company, which took £10m.

Winglaw Group, a private property company, was listed as having taken £5m of bonds. However, the company said yesterday that after agreeing to take the bonds in September it had later changed its mind and had not bought the bonds.

The documents also reveal that in August Brent Walker paid $8.9m for an option to acquire some properties, including the Hotel Los Monteros, in Spain. Had the deal gone ahead the purchase price for the properties would have been $110m-$120m.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Amber Industrial ......int	4.5	Jan 22	4.4	-	16
Ashley Gp ......fin	1†	Jan 31	0.75	1.625	1.25
Bogod ......int	0.1☆	-	0.1	-	0.32
Bogod ......int	0.2♣	-	0.2	-	0.64
British Gas ......int	3.75	Mar 27	3.2	-	10.5
City of L'don § ......int	1.04	Jan 17	0.95	-	2.81
CCS Group § ......int	0.2	Feb 7	0.2	-	0.55
Davy Corpn ......int	nil	-	2.75	-	9
Ferry Pickering ......fin	3.1	Feb 1	3.1	5.2	5.2
Morland ......fin	4.48	-	3.55*	6.45	5.125*
Powell Duffryn ......int	6.6	Jan 16	6.6	-	22.6
Rothmans Intl ......int	6.8	Jan 22	6.2	-	15.4
Sims Food § ......int	2.64	Jan 3	2.64	-	9.8
Volex Group ......int	6.5	Feb 11	6.5	-	17
Whessoe ......fin	4.5	Jan 31	3.75	6.25	5

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ☆Per ordinary share. ♣Per 'A' ordinary.

BSE blamed for 21% downturn at Sims Food

By Jane Fuller

The cost of BSE, or "mad cow disease", was the main factor behind a 21 per cent fall from £3.3m to £2.61m in Sims Food's interim pre-tax profit.

In spite of the setback the company, which joined the USM as Sims Catering Butchers in 1985, announced that it was moving to the main market. At yesterday's closing price of 205p, down 8p, its market value is £44.3m.

Mr Ron Randall, chief executive, said the BSE scare stopped beef sales "dead" in May and the effects lasted until July. The blow to profits for the six months to September 30 was at least £1.2m.

A turnover increase of more than 30 per cent to £101.44m (£77.56m) reflected two acquisitions and the setting up of an organic meat business called TS&W.

These moves, coupled with £2m owed to the group in meat intervention payments, had caused a rise in debt to about £10m, giving gearing of 40 per cent. It should be down to 30 per cent by the year-end, he said.

Interest payments rose from £148,000 to £752,000, eating into an operating profit that was only slightly down at £3.37m (£3.44m). Earnings fell to 6.5p (9.5p). The interim dividend is maintained at 2.64p.

The business had recovered from the BSE scare, said Mr Randall. "We are killing more cattle than ever before," and lamb sales were up on last year. This meant the retail division, supplying fresh meat to shops, was able to offset a downturn on the catering side.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- Aberdeen Steak Houses, Black Arrow, Century Oils, Property Partnerships, Stirling Group, TR Property Investment Trust.
Finals- Regina Health & Beauty

FUTURE DATES

Interims-

Alexon	Dec. 3
Alphameric	Nov. 27
Antares	Nov. 27
Borthwicks	Dec. 12
Caledonia Invs	Nov. 28
Compco	Dec. 4
Elga	Dec. 3
General Electric Co	Dec. 4
Kitty Little	Nov. 30
Lyons Irish Holdings	Nov. 28
Premier Consolidated	Nov. 29
Rowlinson Securities	Dec. 5
Verson Int'l	Nov. 28

Finals-

Brown & Tawse	Dec. 6
Sidlaw	Nov. 29

Anglo American Corporation of South Africa Limited

(Incorporated in the Republic of South Africa)
Registration No. 01 05309 06

Interim report and dividend

for the six months ended 30 September 1990 (unaudited)

Consolidated income statement

(R million)	Six months ended 30.9.90	Six months ended 30.9.89	Year ended 31.3.90
Net income			
– investments	594	632	1 530
– trading	226	279	581
– other	19	28	143
Net income before taxation	839	939	2 254
Taxation	162	210	389
Net income after taxation	677	729	1 865
Attributable to outside shareholders	137	130	358
Attributable earnings	540	599	1 507
Retained earnings of associated companies	610	711	1 630
Equity accounted earnings	1 150	1 310	3 137
Extraordinary items	19	29	685
Earnings after extraordinary items	1 169	1 339	3 822
Transfer to non-distributable reserve	631	746	2 325
	538	593	1 497
Dividends	197	196	752
Retained earnings	341	397	745
Earnings per share – cents			
– attributable earnings	233	260	651
– equity accounted earnings	496	568	1 355
Dividends per share – cents			
– interim	85	85	85
– final	–	–	240

Consolidated Balance sheet

(R million)	At 30.9.90	At 30.9.89	At 31.3.90
Shareholders' equity			
Capital and premium	362	231	321
Non-distributable reserve	8 860	6 615	8 217
Retained earnings	5 047	4 413	4 725
	14 269	11 259	13 263
Preferred capital	–	5	5
Outside shareholders' interests in subsidiary companies	1 503	1 271	1 514
Total shareholders' interests	15 772	12 535	14 782
Loan capital	187	194	193
Loans from associated companies and others	1 377	1 845	1 253
Other liabilities	1 239	1 266	1 586
	18 575	15 840	17 814
Represented by:			
Investments	13 541	10 307	12 562
Fixed assets	2 532	2 327	2 436
Stocks and debtors	1 234	1 179	1 271
Deposits and cash	1 268	2 027	1 545
	18 575	15 840	17 814
Number of shares in issue – millions	232	231	231
Net asset value per share – cents (after providing for dividend and based on the market value of listed investments at 30 September 1990 and the directors' valuation of unlisted investments at 31 March 1990)	14 031	13 713	16 339

Notes:

1. References to shares, shareholders and dividends apply to both ordinary shares and S ordinary shares which rank pari passu in all material respects.
2. Particulars of the Group's interests in listed and unlisted associated companies and general investments are as follows:

	At 30.9.90 R million	At 30.9.89 R million	At 31.3.90 R million
Associated companies			
*Market value	30 392	28 807	35 664
Carrying value	12 183	9 323	11 365
	18 209	19 484	24 299
General investments			
*Market value	5 219	5 097	6 212
Book cost	1 358	984	1 197
	3 861	4 113	5 015
Appreciation	22 070	23 597	29 314
Outside shareholders' interest therein	3 820	3 217	4 759
	18 250	20 380	24 555

*Includes unlisted investments at directors' valuation at 31 March 1990.

3. Particulars of the Group's capital expenditure, which relates almost entirely to the operating subsidiaries, are as follows:

	At 30.9.90 R million	At 30.9.89 R million	At 31.3.90 R million
Capital expenditure for period (net)	139	85	276
Capital expenditure commitments (net)	1 213	378	462

4. There are no material changes in contingent liabilities from those disclosed in the latest annual report.

Comment

Attributable earnings for the six months ended 30 September 1990 fell by 10 per cent to R540 million (233 cents per share) from R599 million (260 cents per share) for the corresponding six months of 1989. Equity accounted earnings fell by 12 per cent to R1 150 million (496 cents per share). The interim dividend was maintained at 85 cents.

Income from investments at R594 million was 6 per cent lower than the comparative R632 million. This decrease is largely attributable to lower dividend income from gold mining interests, which now comprises 21 per cent (1989: 30 per cent) of investment income, whilst there was no significant growth in other sectors in which the Corporation is invested. The reduced dividends from the gold mining companies reflect the continuing fall in mine profit margins mainly as a result of inflation driven increases in costs and a static gold price. The rand gold price in the first six months of 1990 averaged R1 008 per ounce ($386 per ounce) only 2.3 per cent higher than the average price of R985 per ounce ($384 per ounce) in the first half of 1989.

Trading income decreased by 19 per cent to R226 million from R279 million mainly due to the fall in Anglo American Coal Corporation's (Amcoal's) operating profit which, in turn, resulted from lower export sales, increase unit working costs and the strength of the rand against the US dollar. Other net income fell from R28 million to R19 million reflecting lower interest and fee income and higher prospecting cost.

The drop in taxation to R162 million (1989: R210 million) arises partly from Amcoal's lower tax charge and partly from the fall in other net income.

Retained earnings of associated companies, which are transferred to non-distributable reserve, fell by 14 per cent to R610 million reflecting the effect of the recession in South Africa on industrial interests. In addition, the stronger rand/US dollar exchange rate and the slow-down in world economies affected demand for exports from South Africa and had an adverse impact on the Corporation's offshore earnings.

With the continuing difficult economic conditions in South Africa, the slow-down in demand for exports, and a firmer rand together with reduced profit margins in the gold mining industry, the results for the year ending 31 March 1991 are expected to show a similar trend to that recorded during the past six months.

For and on behalf of the board

J. Ogilvie Thompson
N.F. Oppenheimer
Directors

Dividend

On Thursday, 22 November 1990, the directors of the Corporation declared interim dividend No. 109, as follows:

Amount (South African currency)	85 cents per share
Last day to register for dividend (and for changes of address or dividend instructions)	Friday, 7 December
Registers closed from	Saturday, 8 December
to (inclusive)	Saturday, 22 December
Ex-dividend on stock exchanges in Johannesburg and London	Monday, 10 December
Currency conversion date for sterling payments to shareholders paid from London	Monday, 10 December
Dividend warrants posted	Thursday, 17 January
Payment date of dividend	Friday, 18 January
Rate of non-resident shareholders' tax	14.59755 per cent

The full conditions relating to the dividend may be inspected at the Head office and the London office of the Corporation and at the offices of its transfer secretaries.

By order of the board
C.L. Maltby
Secretary

Johannesburg
23 November 1990

Head office:
44 Main Street
Johannesburg 2001

London office:
40 Holborn Viaduct
London EC1P 1AJ

Copies of the Interim Report will be posted on or about Thursday, 29 November 1990.

UK COMPANY NEWS

Lift in luxury goods helps Rothmans to 8% increase

By Philip Rawstorne

ROTHMANS International, the tobacco and luxury goods group, yesterday announced interim pre-tax profits 8 per cent ahead, from £224.1m to £242.6m, roughly in line with market expectations. Profits from its luxury goods division, however, rose by more than 30 per cent.

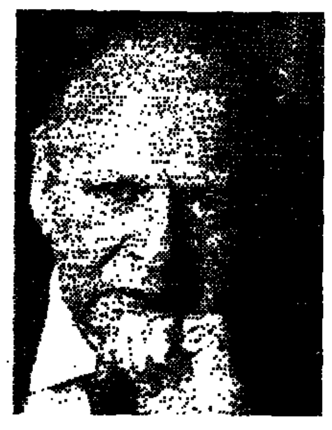
Increasingly unfavourable exchange rates cost the group some £7m and *another* £8m was lost in withdrawing from confectionery distribution in Australia.

Operating profit for the six months ended September 30 rose from £198m to £214m; *and net interest* income was up by nearly 9 per cent to £28.3m (£26m).

Earnings per share rose 13 per cent to 34.4p (30.5p). *The interim dividend is* lifted by almost 10 per cent to 6.8p (6.2p).

The performance of the core tobacco operations was pedestrian. Net sales revenue from tobacco rose from £935m to £1bn. Operating profits were 5 per cent higher at £167m (£159m). Margins declined from 17 per cent to 16.4 per cent, primarily reflecting additional *investment expenditure in* several development markets, particularly in Eastern Europe and north-east Asia.

Luxury products profits rose from £19.2m to £25.2m on sales of £119m (£115m). Dunhill's *operations* benefited from the previous year's investment in marketing and manufacturing facilities by Montblanc.



Lord Swaythling, executive chairman

The *share of* profits from Cartier Monde also increased substantially, from £20m to £26.3m.

Net liquid funds rose by £6m to £708m during the six months, after unfavourable exchange rates effects of £26m. Expenditure on business *acquisitions* amounted to £87m, of which £73m related to the purchase of Theodorus Niemeyer, the Dutch pipe tobacco company.

See Lex

Ferry Pickering in reverse

FERRY PICKERING, the packaging, printing and publishing group, lifted sales in the year ended August 31 1990, but the difficulty in maintaining margins and higher interest charges pulled down *the* pre-tax profit from £2.83m to £2.34m.

The results included for the first time Ferry Pickering (Scotland) in packaging, and Onkenhout BV in printing. Ferry was unable to achieve break even although both quality and service had been raised, but the Dutch company performed well and would become the focus of any further expansion into Europe, said Mr Peter Wardle, chairman.

He warned that, if sustained, the current pressure on both margins and volume might delay the resumption in the group's profit growth, *which could otherwise have* been expected following the beginnings of success in Scotland, the investment in modern facilities, and the reduced dependency on the UK achieved last year.

Turnover rose to £28.97m (£23.32m). Earnings per share fell from *15.37p to 12.25p*, but the final dividend is 3.1p for an unchanged total of 5.2p.

There was an extraordinary charge of £200,000 (£280,000).

Dissenting voice in Salomon empire

David Lascelles reports on a challenge to the reorganisation

A SKIRMISH is developing within one of the smaller thickets of the City of London: the cluster of companies assembled by the late Sir Walter Salomon.

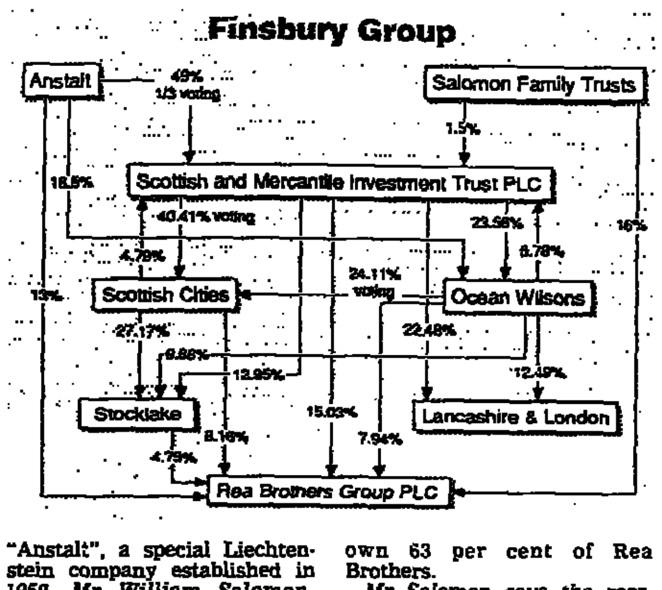
The best known is Rea Brothers, the publicly quoted merchant banking group. But *it is* only one of six companies closely linked by cross share *ownerships and Salomon family* interests.

Sir Walter's son and heir, William, has been trying to reorganise and simplify the group, but his efforts have now been challenged by Anglo-Scandinavian (ASIT), a recently formed investment trust belonging to the *JS* Gadd group of companies founded by Mr Staffan Gadd, the former chief executive of Samuel Montagu.

"Is Lancashire & London being managed for your benefit or for the benefit of the Salomon family corporate *empire?", ASIT demanded* in a letter to shareholders this week. ASIT has requisitioned an extraordinary meeting on December 6 to appoint the Gadd group as investment managers and to examine ways of boosting the trust's share price.

When Sir Walter, one of the City's more colourful figures, died in 1987, he left a tangle of eight companies whose dominant ownership lay with Salomon family trusts and an "Anstalt", a special Liechtenstein company established in 1952. Mr William Salomon, operating through a company *called Finsbury Management*, has reduced the number in the group to six, all publicly quoted.

There are three investment trusts: Scottish and Mercantile, Lancashire & London and Scottish Cities; two commercial companies, Ocean Wilsons *(which runs towage ships in* Brazil) and Stocklake (a trading company), and Rea Brothers. Altogether, the first five companies, the Salomon family trusts and the Anstalt own 63 per cent of Rea Brothers.



Mr Salomon says the reorganisation has not only simplified *the group* but *also* "demystified" the lines of ownership and clarified the Salomon interest. These moves, he believes, should increase investor confidence and raise the companies' stock market value.

But ASIT takes a different view. It started buying into Finsbury *group companies* earlier this year, before the reorganisation had got fully underway, and has now spent about £10m obtaining 28 per cent of Lancashire & London, 12 per cent of Scottish Cities and 10 per cent of Scottish & Mercantile.

In its letter to Lancashire & London shareholders, ASIT claims that shareholders were not consulted beforehand about the changes, and it complains that Finsbury did not seek independent advice before carrying them out. Although *the reorganisation was carried* out at market prices, ASIT *maintains that premiums* could have been obtained for strategic share stakes. It describes the relationships within Finsbury as "incestuous" and says that 75 per cent of the group is actually owned by its own member companies. It has also proved impossible, *it says, to establish who the* beneficiaries of the Anstalt are.

Mr Salomon denies that the reorganisation was carried out to bolster the family interest, because all the companies have their own independent boards. *He says the Anstalt is run by* directors who operate independently from members of the Salomon family; he is not privy to their actions or strategy, and he does not know what happens to its earnings.

Finsbury had the support of the boards of all the group *companies, he said yesterday*, and would continue to act in the interests of all the shareholders. He stressed that all the companies in the group were sound.

NEWS DIGEST

Volex hit by reduced margins

REDUCED margins on maintained turnover led to a drop in pre-tax profit for Volex Group, from £4.26m to £3.28m, in the half year ended September 30.

Turnover of this electrical group came to £50.07m (£50.82m). All divisions traded *profitably, but there were difficulties* particularly in the electrical retail sector, housebuilding and automotive industries.

Mr Peter Frost, chairman, said at this stage he was not anticipating any general upturn in demand.

A decrease in profit at Volex Wiring Systems more than offset improvements at *Accessories, Pencon, and Raydex. The* problems were the delayed launch of certain car models and lower demand in the market as a whole.

Accessories was considerably restructured but did not show the full improvement expected because of the downturn in demand in the second quarter and higher then expected sub-contract costs on certain components.

Earnings per share were cut to 13.8p (19.2p) and the interim dividend is again 6.5p.

Sales jump to £5m secures CCS result

CCS Group achieved a 30 per cent rise in profits on sales up sharply from £1.72m to £5.04m *in the six months to May 31*. The pre-tax result rose from £81,000 to £105,000 and would have been higher, but for costs of £40,000 associated with the scaling down of one operation and restructuring of another.

The USM-quoted group provides sub-contracting services for the building industry. In the year to November 30 it achieved a taxable result of £177,000.

Mr Christopher Wilson, chairman, said trading conditions had been more challenging in the second half, but order books were at an acceptable level.

The interim dividend is maintained at 0.2p, on earnings per share of 0.6p (0.54p).

Exceptional costs pull down Bulgin

In reasonably good trading conditions, AF Bulgin & Company increased its trading profit in the half year ended July 31 1990, but *exceptional* costs pulled down the pre-tax balance from £227,000 to £34,000.

The group makes electrical and electronic components and power supplies, and pushed up its turnover to £7.45m (£6.42m). The directors said demand was *encouraging*, both at home and overseas, although margins were squeezed.

A marked slowdown was being experienced in the second half and conditions were difficult, the directors commented.

The exceptional charge was £217,000 and related to the relocation of the power conversion division in its new factory in Lincoln, and the costs of establishing the European based sales operation, in Germany.

Earnings per share fell to 0.12p (0.56p).

Hardy Oil & Gas suffers £1m setback

Hardy Oil & Gas, the one-time oil and gas exploration arm of Trafalgar House, suffered a £1.07m fall in pre-tax profits to £1.83m for the six months to September 30.

The figures were struck after taking account of an interest charge this time of £355,000, compared with a previous receipt of £1.16m.

Depressed *oil prices in the* period up to the Middle East crisis, shortfalls in oil production from the Forties field and the strength of sterling against the dollar also took their toll.

However, a £1.07m lower tax charge of £1.83m and a tax credit this time of £2.4m, representing *an anticipated* refund of Petroleum Revenue Tax in earlier periods, left after-tax profits at £4.23m (£2.9m). Earnings per share improved by 2.5p to 8.4p.

The company was demerged from Trafalgar House last year. Early conversion of the 4 per cent convertible unsecured loan stock held by Trafalgar *House in September had* removed £30m of debt from the balance sheet.

Bogod shows improvement

Profits of Bogod Group, seller of sewing machines and accessories, rose from a depressed *£45,000 to £90,000 pre-tax for* the half year ended September 30.

The comparative figures, however, were struck after taking account of an exceptional debit of £63,000.

Turnover totalled £2.67m (£3.25m). An extraordinary debit of £72,000 (nil) represented the loss on an investment in a trust which went into administrative receivership *in September*.

The interim dividends on the ordinary and 'A' ordinary shares are being held at 0.1p and 0.2p respectively.

Acquisitions help Amber make £1.3m

Acquisitions made a year ago helped *Amber Industrial Holdings* lift pre-tax profit from £984,000 to £1.31m for the six months ended September 30.

Another factor was a jump in interest receivable from £68,000 to £338,000 following the rights issue made at the time.

Mr Peter Buckley, *chairman*, explained that a lower contribution *from the traditional* Ambersil aerosol business was offset by the share from Servo-Chem and Formal Blending, the chemical acquisitions.

Current trading conditions and the move to Bridgwater made it "*unusually difficult*" to predict the full-year's outcome.

Turnover of the group, 75 per cent owned by Caledonia Investments, came to £7.3m (£6.03m). Earnings per share worked through unchanged at 19.5p on increased capital, and the interim dividend is 4.5p *(4.4p)*.

Glasgow Income assets decline

Net asset value per 25p share *of Glasgow Income Trust stood* at 37.64p at September 30 1990, a fall of 14.33p on the figure standing a year earlier.

Net revenue for the 12 months to September 30 1990 totalled £1m after tax of £270,000. For the 15 months to end-September 1989 net revenue amounted to £1.08m after tax of £385,000.

Compared with the 15 month-period but on annualised basis, gross revenue for the year 1989-90 rose by 9.1 per cent to £1.47m, franked investment income by 9.8 per cent to £1.08m, unfranked income by 17.4 per cent to £81,000 and dividends by 11.6 per cent to 3.15p.

Powell Duffryn slips 9% after buffeting in shipping

By Jane Fuller

A BUFFETING in shipping and higher interest payments lay behind a near 9 per cent fall in interim pre-tax profit at Powell Duffryn, the fuel distribution and engineering group.

Taxable profit fell to £12.08m (£13.22m) after a £1.1m increase in interest costs to £4.67m. Sales grew to £358.88m (£334.94m) in the six months to September 30.

Other weak points in the figures were an £880,000 decline to £3.34m in the contribution from associate companies, affected by the collapse in the commercial vehicle market, and the slump in brick sales, which reduced the profit from construction materials from £2.06m to £1.62m.

The decline in shipping, from £4.33m to £2.36m, was blamed on a slowdown in trade and on the commercial vehicles distribution business.

Fuel distribution, which accounted for 45 per cent of sales, increased pre-tax profit to £1.77m (£452,000), helped by the higher value of oil and petrol because of the Gulf crisis.

Mr David Hubbard, chairman, said it remained the company's long-term plan to sell its coal distribution operation. But it had been withdrawn from the market because the offers were too low. Overheads had been cut in both coal and liquid fuel.

In chemicals storage, profit increased to £2.65m (£1.97m) because of a better performance in the US, which was hit by a strike last year.

David Hubbard: long-term plan to sell coal distribution

Mr Bill Andrews, chief executive, said the negotiations with Pakhoed Holding of the Netherlands, to form a joint venture in chemicals storage, should be concluded by March. This would bring in more than £20m, reducing interest payments next year by enough to compensate for the loss of profit. Whereas gearing had been rising from the year-end 40 per cent, it would fall to less than 30 per cent.

Engineering, including the Hamworthy pumps and compressors business, raised profit to £8.35m (£7.98m). It suffered from a decline in construction-related work, but improved in specialist areas such as refuse trucks. Rail buggies were among the transport products mentioned for their potential.

Earnings per share fell to 12.8p (14.6p). The interim dividend is held at 6.6p.

● COMMENT

With coal distribution still on board and a tough trading climate for other areas, notably engineering, the only significant bonus would be a long, hard winter. The effort to sell its historic coal business has at least provided a catalyst for cost cutting in the fuel distribution business, and the winter profit-reaping period should show further benefit from Gulf crisis prices. The biggest worry is engineering, which produces half of profit. Orders are 8 per cent down and the strength of the pound (Mr Hubbard complained strongly about the rate picked for ERM entry) is putting pressure on export margins. Pre-tax profit forecasts for the full year vary from £31m to £34m, as against £33.6m last year. On a closing price of 297p, the prospective multiple is between 8 and 9. But the important thing is the dividend, which was only 1.6 times covered last year. The price is supported by the 10.1 per cent yield.

Current supply side economics

Juliet Sychrava on forthright, stubborn, hard-working Yorkshire

YORKSHIRE Electricity is the City's pet regional electricity company. One broker goes so far as to say that Yorkshire would have been floated on the most demanding yield of all, had it not been for the fact that its local investors are reluctant sharebuyers.

So Yorkshire, the fourth largest company by market capitalisation, was assigned the fifth highest yield.

Yorkshire's management inspires confidence – not only forthright, but convincingly stubborn – and is known to have struck a hard bargain with the government over privatisation terms.

Mr James Porteus, the chairman, has something of a reputation in the industry.

"Everyone's terrified of him," says one ex-colleague at another regional company. "He is certainly a strong character," says his managing director, Mr John Tysoe, who, like the rest of the team, comes across as hard-headed and hard-working but with a lively sense of humour.

"He's built in expectations of cultural change long before the privatisation: we've met the numerous targets set by the government," says Mr Tysoe, adding, "You don't work here for comfort, but you do work here for achievement of objectives."

What is most distinctive about Yorkshire is its independent strategy on the future of the supply business. While most regional companies have said they are not bothered by losing supply customers and many analysts doubt the wisdom of fighting over them, Yorkshire is determined to keep them.

It won more supply business outside its region than any other company during the period of competition – and 50 per cent more than its closest competitor, East Midlands.

Yorkshire Electricity

James Porteus: struck a hard bargain with the government

Customer breakdown of sales

	Yorkshire(%)	Industry(%)
Domestic	27.4	34.4
Commercial	17.0	25.9
Industrial	52.7	36.7
Other	2.9	3.0

Source: UBS Phillips & Drew

Among others, it won a major contract to supply Allied Steel & Wire in Wales, and another to supply the whole of Trent Regional Health board.

"We know their businesses," says Mr Tysoe. "We picked up the steel company in south Wales because we knew about the steel business in Yorkshire; similarly we won the hospital contract because we know the hospital business."

Yorkshire sees its strong industrial base as a strong platform from which to win further contracts, rather than the disadvantage many analysts have considered it. It also dismisses the argument that supply is an uninteresting, low-margin business.

"We think the margin will change," says Mr Tony Coleman, the group finance director thought of as one of the brightest in the industry.

The company believes the industry cannot survive without more competitive margins developing, and the whole system for buying electricity could change. "It was all put into place very quickly. And we believe that those companies that get out, will find it very hard to get back in," says Mr Coleman.

Secondly, Yorkshire believes it can add value, by supplying a customised supply service, using its knowledge of individual industries. And thirdly, it wants to retain essential access to customers, to market other services such as contracting, and vehicle maintenance.

"We believe we are exceptionally well-placed in terms of servicing industrial customers," says Mr Tysoe. Local industry, Yorkshire believes, is in better shape than it ever was in the early 1980s.

The company has devoted much time to considering its strategy on buying electricity – and has recruited 20 economists simply to work on the problem, which it perceives as critical. It believes it understands it in more depth and sophistication than many other regional companies. "It's all about risk management," says Mr Coleman. "Any regional company which doesn't understand how big the risks are will be in trouble."

Yorkshire has won investor confidence despite far from ideal circumstances. "We just don't enjoy natural growth," says Mr Malcolm Chatwin, group commercial director. "The population here hasn't changed in 20 years. It is a highly urban area with a high penetration of gas, and a low percentage of electric heating; the commercial sector is one of the smallest."

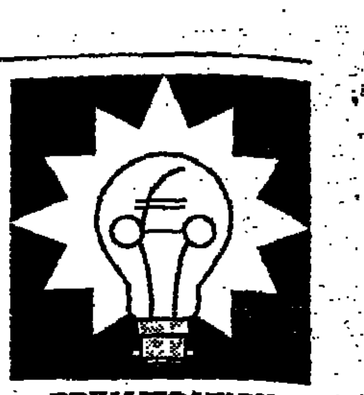
More than 50 per cent of sales are industrial: Yorkshire has the largest overall industrial market of any regional company. It has also kept growing, but domestic sales growth has been around 1.5 per cent per annum over the last five years, one of the lowest of the regional companies. Commercial sales growth has been lower than any other company except Northern.

"The net overall picture," says Mr Chatwin, "is little or no growth at all in distribution units."

It sounds grim, but Yorkshire is a self-assured company, with a good record. Last year it topped the 12 companies in current cost rate of return on capital, and came second only to Southern on a historic cost basis.

It has a good cost control record: employees per GWh, added operating costs per unit sold, and per 1,000 customers have all fallen by more than industry average rates over the last five years. "We've managed our earnings growth over five years," says Mr Coleman. "Some companies achieved good rates of return in the early years, and then their numbers jumped all over the place."

Efforts will, however, be concentrated outside the distribution business: Yorkshire has already invested in a generation project, and has a strong retail operation with 27 per cent of the local market in white goods – and it has ambitious plans. "Its a question of whether you make your money in the regulatory framework or outside," says Mr Tysoe. "We will have to seek growth outside the core business."



PRIVATISATION

Publication dates of previous profiles

Eastern	Oct 9
Seeboard	Oct 16
South Wales	Oct 23
Norweb	Oct 30
Southern	Nov 6
Manweb	Nov 13
Northern	Nov 16
London	Nov 20

The remaining three profiles of the regional electricity companies will appear next week.

Acquisitions play role in growth at Ashley

By John Thornhill

ASHLEY GROUP, the Spanish food retailer and window blind distributor, reported a strong increase in annual pre-tax profits as it benefited from the uplift of acquisitions.

Taxable profits rose from £5.92m to £13.57m on sales ahead from £191.8m to £295.5m in the year to August 31 1990.

The group, which grew out of Ashley Industrial Trust, a plywood products and milk-float batteries manufacturer, now concentrates on the Spanish retail sector and the European window blind market.

It was reorganised by Mr Tony Butler, a former director of Dee Corporation (which changed its name to Gateway before being acquired by the Isosceles Group).

Interests in Spain centre on Digsa, which recorded trading profits of £7.39m (£4.6m) on sales of £252.4m (£185.2m). This business is run by Spanish management with strategic and financial support from the UK.

"Everyone thinks that we must sell HP sauce to ex-pats, but this is definitely not so," said Mr Chris Tipper, finance director.

In June, Ashley added to its operations by acquiring the Dismo chain of 101 stores. This move extended the company's presence in Catalonia and south eastern Spain and brought in £18.98m sales and £420,000 trading profits.

The group now operates 278 of its own retail stores and also has 873 franchised outlets.

Ashley's interest in window blinds also showed healthy growth producing operating profits of £5.7m on sales of £22.1m. Last year these operations were only included for three months.

Following the £26.3m rights issue in June to fund the acquisition of Dismo, Ashley has been left with virtually no debt and interest payments for the year fell to £196,000 (£286,000).

Earnings per share rose from 6.8p to 9.1p. The final dividend is 1p to make 1.625p for the year (1.25p). The shares rose 1p to 92p.

Depressed market hits Morland

By Philip Rawstorne

MORLAND, the brewer based in Oxfordshire, yesterday blamed depressed property market conditions for a 6 per cent fall in full-year pre-tax profits from £6.6m to £6.2m.

A surplus of £1.1m from property disposals during the year ended September 30 was less than half last year's figure.

Sir Humphrey Prideaux, chairman, said: "It has been difficult in current conditions to sell property at satisfactory prices, and we set our faces against sales at depressed prices in order to achieve short-term results."

He reported good progress from the company's pubs and retail outlets. Turnover was 13 per cent higher at £28.4m and operating profit rose from £4m to £4.7m, a 16 per cent increase.

Earnings per share from trading rose by 19 per cent, but fell overall by 21 per cent from 31.7p to 27.6p.

Sales volumes of the tenanted pub estate reflected the continuing squeeze on disposable incomes and were "satisfactory rather than exciting", Sir Humphrey said. But there were useful gains in the free trade and in cider and soft drinks; and amusement machine operations increased profits by 34 per cent.

A final dividend of 4.48p (3.55p) is proposed, making 6.45p for the year, a 26 per cent increase.

Morland's property portfolio has been revalued at £84m, some £28m higher than at the last valuation in 1986; but because of the economic uncertainties, this has been entered on the balance sheet at £78m, resulting in a net asset value of £4.88 a share.

City of London PR down

CONTINUING problems in Australia, its main client market, as well as the economic downturn in the UK, resulted in a 27 per cent decline at City of London PR Group in the six months to September 30. Pre-tax profits fell from £470,000 to £344,000 on turnover down 34 per cent to £380,000.

Mr John Greenhalgh, chairman, said prospects for the second half remained subdued, but he thought that the situation in Australia might be over the worst. The company continued to explore opportunities for expansion.

First-half interest receivable rose from £195,000 to £231,000, from cash of £3m on deposit. The interim dividend is raised to 1.04p (0.95p) on earnings per share of 2.91p (3.96p).

IN BRIEF

ARCADIAN INTERNATIONAL (formerly Westminster and Country Properties) announced that of the 5,535,821 new 25p ordinary shares offered in a rights issue at 100p a share, 2,633,229 were taken up (47.6 per cent of the offer).

FITZWILTON has purchased DB Cash & Carry, a 60,000 sq ft outlet in Hull.

GOODHEAD GROUP: Mr Colin Rosser, chairman of the printing and publishing group, has sold 1,333,333 ordinary shares at 75p each to Mr John Madejski, a private investor and chairman of Hurst Publishing. Mr Rosser retains 2,381,215 Goodhead ordinary (15.2 per cent of the equity) and Mr Madejski's holding is now 1,640,833 ordinary (10.5 per cent).

GREAT PORTLAND Estates has paid £2m for the freehold of the Waitrose supermarket premises in Esher, Surrey, from pension fund clients of William H Brown Commercial of Northampton. The lease has thirty years to run and produces a rent of £212,000 per annum.

INTERNATIONAL MEDIA Communications has announced a rights issue on the basis of one new ordinary share for every two held at 2.5p to raise £1.78m net. The issue is underwritten by Dawnay, Day and Co. Irrevocable undertaking to accept have been received by shareholders representing 49.93 per cent.

JF PHILIPPINE Fund gained approval at an adjourned extraordinary meeting to periodically purchase its outstanding shares on such terms as deemed fit.

SIMON, an engineering contracting and industrial services group, has acquired the assets of Toxcon Engineering Company of Texas for a total of $3.2m (£1.6m), including $700,000 deferred for a year. The addition of Toxcon to Simon-EEI aims to strengthen the subsidiary's activities in environmental consulting services for the oil and petrochemical industries.

UNILEVER is selling United Agricultural Merchants to Cargill; the consideration was not disclosed. In 1989 turnover was £200m.

WARNER Howard has moved into the sale and rental of beverage machines and glass and dish washing equipment through the acquisition of Eurolectrics. Maximum consideration is £2.64m with an initial £1.6m being settled in £1.4m cash and the issue of 134,409 shares.

Acsis tries to stem fears after second half collapse

By Jane Fuller

ACSIS GROUP, the marketing services and design concern built up through a series of acquisitions, moved yesterday to stem concern about its financial state by asserting that this year's pre-tax profit would not fall much below last year's £7.4m.

Anxiety about the group, which has grown rapidly under the South African entrepreneur Mr Darryl Phillips, caused the share price to fall from about 70p in the summer to 12p by yesterday morning. It closed at 15p yesterday, giving a market value of £20m.

Mr Phillips' warning that pre-tax profit this year is likely to be marginally below last year's represents a profit collapse in the second half. At the interim stage, the taxable figure was £5.75m, only £1.62m short of last year's total.

Other worries are the group's debt, which he said had risen from the June level of £8m. That was already higher than the year-end because of the cash purchase in April of the Los Angeles-based Hirsch Bedner hotel interior design company, entailing an initial £4.9m payment.

Mr Phillips said the group was trading within its banking facilities, although it would have to arrange financing for the whole of the £5m in earn-out payments due next year on assorted acquisitions.

He said all the UK businesses, which account for 75 per cent of sales, had been hit by recession. In media sales, for instance, an £800,000 provision had been made for bad debts.

Next year Acsis would benefit from cost cutting, so even without an improvement in trading conditions the performance would be an improvement on the current half.

He estimated that next year's interest payments would be £2m and that they would be covered four times by operating profit, "even in the worst-case scenario".

COMMODITIES AND AGRICULTURE

Academics back call for EC farm support cuts

By Tim Dickson in Brussels

POWERFUL BACKING for a significant cut in farm subsidies was provided yesterday by a team of influential European academics.

With just two weeks to go before the final summit of the four-year international trade talks known as the Uruguay Round, their new study seeks to dispel fears that reductions in agricultural support will be a "disaster" for European Community agriculture.

The report – commissioned by an all-party group of MEPs and led by Professor John Marsh of Reading University in England – affirms that "with or without a Gatt agreement", farm incomes in the EC will continue to fall. Given a successful outcome based on or close to the community's offer of a 30 per cent cut over 10 years, it says savings of close to Ecu50bn (£35bn) can be achieved. World trade will expand and world prices for agricultural commodities will increase by up to 28 per cent, it forecasts, while lower consumer costs and the transfer of demand will boost the rest of the economy, absorbing lost farm employment. Meanwhile, it says, direct income payments can preserve small and part-time farms.

Yesterday's analysis – while warning there should be no illusion that cutting subsidies will be "an easy or painless process" – is bound to be welcomed by those inside and outside the community urging the EC to be more flexible in the Gatt talks, and to disregard the direr predictions of the EC's powerful farm lobby.

Other points are the clear assertion that large sectors of European agriculture can compete in world markets, that adaptation to change should take place "via a progressive reduction in support prices and not by resort to quantitative restrictions of agricultural production (quotas)" and that farmers should be directly rewarded for the part they play in protecting the environment.

The group's main policy proposal, however, is a compensation scheme based on the issuing of redeemable, dated bonds and devised by Mr Stefan Tangermann of the University of Gottingen. These bonds would reflect the loss of income as a result of CAP price reductions, would be related to the level of farm output over the last three years. They would provide full compensation for the poorest producers and only partial help for others.

The bonds would be saleable – thus realising a capital gain if required – or they would simply provide a steady income to offset lower earnings from farming. Significantly, however, the payments would only be effective say the academics if they were for a limited duration.

A Future for Europe's Farmers and the Countryside. Commissioned by the Land Use and Food Policy Inter-group of the European Parliament.

THIRTEEN FOOD-exporting nations yesterday appealed to the leaders of the industrialised countries to take a direct interest in breaking the stalemate in the talks on the reform of world farm trade, writes William Dullforce in Geneva.

The leaders had to give meaning to the commitment to agricultural reform they had voiced at successive economic summits of the G-7 industrial powers, if the Uruguay Round trade talks were to end successfully, the 13 members of the Cairns Group, led by Australia, said.

The future of the world trading system was at stake and political leadership was now needed. The 13 are Argentina, Australia, Brazil, Canada, Chile, Colombia, Hungary, Indonesia, Malaysia, New Zealand, the Philippines, Thailand and Uruguay.

The farm talks are stalled over the seemingly intractable rift between the European Community and the US over the method of reform and the depth of the cuts to be made in farm supports.

In their joint statement the 13 also called on Mr Arthur Dunkel, Director General of the General Agreement on Tariffs and Trade, "as a matter of the utmost urgency" to ensure that world trade ministers, when they meet in Brussels on December 3, had before them "the basis for taking the key decisions on agriculture".

The group did not expect Mr Dunkel to come up with a compromise but he should at least spell out clearly the options on which ministers had to decide, said Mr Peter Field, Australia's chief negotiator.

Australian farmers offer sheep to Soviet Union

AUSTRALIAN FARMERS, keen to avoid shooting and burying millions of surplus sheep, are offering them free to the Soviet Union to solve food shortages, reports Reuters from Canberra.

"We are receiving a lot of enquiries from farmers," Mr Rostislov Tikhonov, Commercial Counsellor at the Soviet Embassy, said.

The Australian Wool Corporation has ordered the slaughter of 20m of the nation's 170m sheep, along with a quota scheme on wool production to check a glut which has left it with 4.35m bales of unsold wool.

But Mr Tikhonov said although the Soviet Union appreciated the offer by Australian farmers, who would prefer to see the sheep eaten than rot, commerce was involved.

"Number one, many of the sheep being slaughtered are sick and old. Number two, even if we get them free of charge it is expensive to pay for storage, freezing and shipping the carcasses to the Soviet Union," he said.

"The price will end up about the same as we pay for the best Soviet mutton," Mr Tikhonov added.

But he said Soviet authorities would probably raise the issue with Mr John Kerin, Australia's primary industries and energy minister, during his visit to Moscow this week for trade talks.

The Australian Meat and Livestock Corporation has suggested offering some of the surplus sheep as foreign aid but so far this has not been taken up by the Australian government.

Mr Kerin , dismissed any suggestion that the Soviet Union would take them as aid.

Call for bauxite price freeze

By Canute James in Kingston

The International Bauxite Association has recommended to its members that they should not increase the minimum prices for ore and alumina sold next year.

The association, the members of which accounted for 85 per cent of the western world's bauxite production last year, while contributing 54 per cent of alumina production and 18 per cent of primary aluminium output, recommended to members that the minimum price per tonne for base grade metallurgical bauxite sold in 1991 be between 2 per cent and 2.5 per cent of the composite reference price for aluminium ingot.

Its recommended price of metallurgical grade alumina for 1991 is between 13.5 per cent and 15.5 per cent of the composite reference price for aluminium ingot, the same prices as for this year's sales.

Rich pickings from the aluminium squeeze

Kenneth Gooding analyses the recent contortions in a notoriously volatile market

NO ONE except those directly involved will ever know the full story behind the recent contortions in the aluminium market. But it can be said that the Marc Rich organisation, the aggressively successful trading house based in Zug, Switzerland, played a key role.

There is also widespread talk about two big Japanese traders, Mitsui and Sumitomo, being heavily involved.

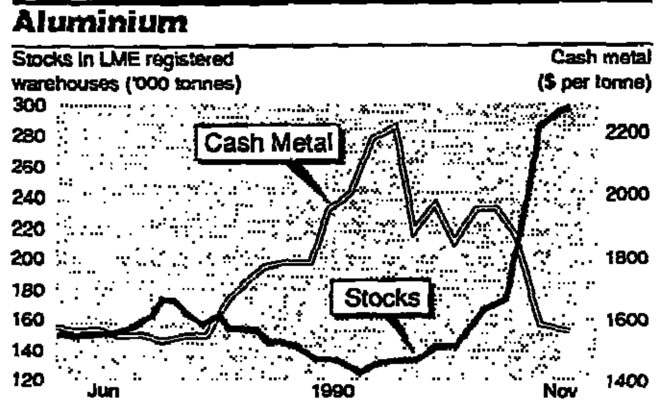
What can be said with more certainty is that some of the major aluminium producers, who have little love for the London Metal Exchange, will once again complain about the price volatility they say is caused by the games traders play on the LME.

The producers' concern is not academic. The prices of most aluminium traded in the western world are based on those quoted on the LME. There is also evidence that some potential users of aluminium are frightened off by what they consider to be the metal's unnecessarily volatile price.

That volatility was particularly severe on November 6 when the price premium for aluminium for immediate delivery on the LME compared with the cost of metal for delivery in three months (the "backwardation") jumped to US$200 a tonne. The cash price was $1,925 a tonne.

Observers suggest the market had for some weeks been in the grip of an options-related squeeze. Once the pressure had been relieved the price fell back. The LME cash aluminium price recently has been ranging between $1,515 and $1,615 a tonne and three-months metal is at a premium to that for immediate delivery, a more normal circumstance.

Encouraged by the opportunity to profit from the increasing backwardation, holders poured aluminium into LME warehouses. Holders were "lending" to the market or selling cash aluminium but immediately buying back the same quantity for delivery three months ahead. Consequently, the exchange's stocks have surged in three weeks by 124,400 tonnes to 297,900 tonnes, the highest level recorded since the contract was first launched in 1978.



Various rumours about the aluminium market's gyrations went bouncing around the trading houses. As usual when something unusual happens in the aluminium market, fingers were pointed in the direction of the Marc Rich organisation.

Rich is now an even more powerful force in aluminium following its recent acquisition of the former Philipp Brothers operations from Salomon of the US. With an annual turnover reputedly approaching US$20bn from oil trading, aluminium production and other activities, Rich is also well towards the top of the first-division of world metals traders.

One story suggested that some aluminium producers were damaged because consumers could see that a squeeze was building up on the LME and believed that prices would fall after it was over. So consumers stopped buying and instead used up any stocks of the metal they could find. However, production continued at a high level and, to ensure they had adequate cash flow, producers were forced to sell the metal on the LME.

Marc Rich traders, however, suggest events can be interpreted differently. Producers "shot themselves in the foot" by diverting metal to the LME in order to stop the squeeze being successful but, in doing so, they pushed the price down – which was not exactly to their ultimate advantage.

Another rumour has it that the Japanese also believed the aluminium price was heading downwards and sold short (sold metal they did not own but intended to buy at a lower price before the due delivery date). It was said that Rich bought all they had to offer and not only held the warrants (right of ownership) to the metal but also insisted they delivered on the due date.

Consequently, the story goes, in order not to be in default, the Japanese were forced to deliver to the LME some prime aluminium of a quality rarely seen in LME warehouses. Such material commands a handsome premium which the Japanese will have to pay because they want some of the metal back.

Rich traders insist the organisation was not attempting to squeeze the market but wanted 20,000 tonnes of a certain type of aluminium, which it knew was available in Japan. In the event, Rich picked up 70,000 tonnes, mostly from Japanese traders. They will certainly want to buy back some of the metal.

The Rich traders denied that their organisation had made a financial killing but said the outcome, from their point of view, was "reasonable."

Independent observers agree with this assessment. It is reasonable to assume that some producers capitalised on a short-term opportunity that presented itself on the LME where the best profit was available. It is also a virtual certainty that the Japanese traders also made more from the premium offered by the backwardation when they lent metal to the market than they will lose when buying back the aluminium they require.

On the face of it, the Rich organisation has much to lose from any fall in the aluminium price because it is also a big producer of primary aluminium – probably the sixth-largest in the world. However, the Rich traders indicated that all the organisation's production is sold on long-term, fixed-price contracts and does not automatically reflect the ups and downs of LME prices.

In spite of the denial by Rich, as far as most other traders are concerned, the aluminium market was well and truly squeezed.

Following a similar situation in the copper market in September, which attracted widespread criticism from producers and consumers alike, the LME board vowed to take action to prevent such squeezes occurring.

However, Mr Martin Abbott, the LME's marketing director, said of the latest turbulence that the exchange had been confident that a sustained severe squeeze of the aluminium market (the LME's second-largest after the flagship copper contract) was not possible. The arrival of metal in its warehouses proved this to be the case. "The market has behaved in a textbook fashion," he added.

He pointed out that producers could kill off any artificial squeeze and widening backwardation any time they wanted to as long as there was no genuine tightness of supply and they had metal available to deliver to LME warehouses.

He said: "A backwardation is a suicidal beast – as soon as it is created it begins to devour itself."

Whatever caused the recent events in the aluminium market, at least interested parties could see what was happening and act quickly because the LME provided the necessary transparency, he suggested.

Nevertheless, the market has been – and remains – in a nervous and volatile state.

Some observers insist, however, that the LME is merely reflecting the symptoms and cannot be held responsible for the uncertainties that arise because the aluminium market is particularly difficult to "read" at the moment.

For example, some analysts say that the record aluminium stocks in LME warehouses will soon begin to fall because metal was simply moved from producers', consumers' and merchants' stocks to the exchange. But others remain worried about the sudden appearance of so much aluminium in LME stocks in such a short space of time and wonder if they can trust the available statistics.

There will certainly be more than the usual interest shown when the International Primary Aluminium Institute produces its stocks statistics for November.

Many analysts agree with Mr Angus MacMillan, head of research at Billiton-Enthoven Metals, who forecasts that there will be a smallish surplus of primary aluminium production over consumption this year – of about 75,000 tonnes compared with a 128,000 tonnes supply deficit in 1989. He expects another 75,000 tonnes surplus in 1991.

But 75,000 tonnes is only 0.5 per cent of world primary aluminium production and, as one trader suggested, "it only needs to be on a ship going in the wrong direction and you have a supply deficit."

With supply and demand finely balanced, market conditions reflect this uncertainty. "It is," says the trader, "like a meeting of two tides – the water gets very choppy in the middle."

Board to intervene in Argentine wheat market

By John Barham in Buenos Aires

ARGENTINA'S NATIONAL Grain Board (JNG) is to intervene in the local wheat market in the hope of preventing a further slide in prices as a bumper wheat harvest begins to enter the market at the beginning of December.

Mr Carlos Carballo, deputy economy minister, said "the international market is very disturbed by European Community and United States subsidies." He said the government's plan was to prevent "domestic prices falling beneath a level that international markets would justify."

Mr Carballo's statement followed demonstrations by farmers who closed roads to protest against the lack of government action to prevent falling prices. Officials have not explained how the intervention mechanism is to work, how it will be financed or how much wheat could be bought at which price.

Mr Osvaldo Sarachu, an economist at Coninagro, a farm co-operative, said "the JNG would have to buy substantial amounts of wheat to establish a floor price. If not, it will exhaust its resources quickly and prices will continue to fall." Argentina is expecting a bumper crop estimated at 11.6m to 12.5m tonnes, compared with a harvest of 10.15m tonnes last year.

An official at the Argentine Agrarian Federation (FAA) explained that "we have an almost complete lack of credit, so small and medium farms need to sell their harvest quickly to finance their soya, maize and sunflower crops. The economy minister has promised to clarify how this will work on Tuesday or Wednesday."

Mr Sarachu denied that the JNG would subsidise farmers. He said it would shore up prices by absorbing the wheat avalanche now and store it for resale next year at a higher price.

The government may seek foreign loans to finance the acquisitions. The FAA said "if the JNG operates well, it need not lose money. It never lost money before by buying wheat at market prices and exporting it."

Fox to launch rice futures

A RICE futures contract is to be launched by the London Futures and Options Exchange (Fox) next Friday, writes David Blackwell.

The contract, which will be traded on the exchange's electronic trading system, is for internationally traded white milled rice. Lot size will be 50 tonnes, priced in US dollars and cents and for physical delivery in the months of March, May, July, October and December.

Thai 100b rice will be the basis tenderable, with US 2/4 at a 5 per cent premium.

WORLD COMMODITIES PRICES

MARKET REPORT

Bearish fundamentals pushed nickel prices down further yesterday before support was found at about $3.65 a lb. On the London Metal Exchange the three months position dipped to a 5½-month low of $8,050 a tonne, before closing $ 255 down on the day at $8,112.50 a tonne. At the London Futures and Options Exchange the March delivery raw sugar price ended $3.80 higher at $222.80 a tonne, aided by some light technical buying. There was also talk of Mexico buying whites soon, *but most traders thought* that would not be before the New York *market* reopenned next week.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$25.95-6.05v	+.575
Brent Blend (dated)	$31.35-1.45	+1.50
Brent Blend (January)	$29.95-0.05	+.675
W.T.I. (1 pm est)	$29.90-9.95v	Clsd.
Oil products (NWE prompt delivery per tonne CIF)		**+ or -**
Premium Gasoline	$291-296	+5
Gas Oil	$298-300	+8.5
Heavy Fuel Oil	$134-136	+1
Naphtha	$296-300	
Petroleum Argus Estimates		
Other		**+ or -**
Gold (per troy oz)♣	$380.25	+1.75
Silver (per troy oz)♣	415c	+3.00
Platinum (per troy oz)	$421.25	+7.40
Palladium (per troy oz)	$93.15	+0.15
Aluminium (free market)	$1590	+5
Copper (US Producer)	124c	
Lead (US Producer)	50c	
Nickel (free market)	390c	-15
Tin (Kuala Lumpur market)	16.02r	-0.12
Tin (New York)	287c	
Zinc (US Prime Western)	70c	
Cattle (live weight)†	106.14p	-1.02*
Sheep (dead weight)†	140.92p	+3.51*
Pigs (live weight)†	69.61p	-6.56*
London daily sugar (raw)	$257.0w	+5.2
London daily sugar (white)	$306.0w	+5.6
Tate and Lyle export price	£238.5	+2.8
Barley (English feed)	£116	
Maize (US No. 3 yellow)	£162.5	
Wheat (US Dark Northern)	£81v	
Rubber (Dec)♥	50.75p	-0.25
Rubber (Jan)♥	51.00p	-0.25
Rubber (KL RSS No 1 Dec)	244.5m	
Coconut oil (Philippines)§	$345q	+10
Palm Oil (Malaysian)§	$340.0u	+5.0
Copra (Philippines)§	$245t	
Soyabeans (US)	£133	+1
Cotton "A" index	82.65c	+0.15
Wooltops (64s Super)	398p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Nov/Dec. t-Feb. u-Dec v-Jan. w-Dec/Jan z-Feb/Mar. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 11,092 lots
Cash	1585-7	1590-2	1597	1586-7		
3 months	1616-7	1620-1	1624/1615	1616-7	1610-2	60,746 lots
Copper, Grade A (£ per tonne)						Total daily turnover 14,238 lots
Cash	1311-3	1310-2	1308/1304	1308-9		
3 months	1314-5	1310-1	1316/1306	1311-2	1310-2	48,004 lots
Lead (£ per tonne)						Total daily turnover 1,820 lots
Cash	349-50	349-51	350.50/350	349.5-50		
3 months	356-6	355-6	356/354	355.5-6	356-7	10,702 lots
Nickel ($ per tonne)						Total daily turnover 2,493 lots
Cash	8250-300	8575-625	8450	8400-50		
3 months	8100-25	8360-75	8300/8050	8225-50	8175-200	7,541 lots
Tin ($ per tonne)						Total daily turnover 1,141 lots
Cash	6170-90	6170-90	6180	6175-80		
3 months	6150-70	6170-80	6175/6140	6170-5	6145-50	8,375 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 3,037 lots
Cash	1278-80	1275-80		1270-2		
3 months	1265-6	1267-70	1272/1260	1260-1	1268-70	19,853 lots

LME Closing £/$ rate: SPOT: 1.9715 3 months: 1.9467 6 months: 1.9294 9 months: 1.9111

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Dec	228.00	228.60	222.00
Mar	222.80	219.00	222.80 219.60
May	223.60	219.40	222.80 220.40
Aug	225.00	222.20	224.00 222.00
Oct	225.00	222.00	224.00 223.00
White	**Close**	**Previous**	**High/Low**
Mar	306.0	300.0	305.0 297.0
May	306.0	300.3	302.5 297.0
Aug	309.0	304.6	308.5 307.0
Oct	292.0	287.5	290.5 290.0
Dec	288.5	284.0	287.0
Mar	290.0	285.0	288.0

Turnover: Raw 593 (2697) lots of 50 tonnes. White 814 (856)

Paris- White (FFr per tonne): Mar 1506, May 1516, Aug 1545, Oct 1459.

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low
Jan	30.00	28.94	30.00 29.00
Feb	28.90	27.85	28.90 27.75
Mar	27.65	26.90	27.68 27.40
IPE Index	28.87	28.73	

Turnover: 6103 (12859)

GAS OIL – IPE $/tonne

	Latest	Previous	High/Low
Dec	282.00	274.00	285.25 273.00
Jan	270.25	262.50	271.50 261.00
Feb	256.00	248.50	256.00 251.00
Mar	239.50	233.00	240.00 230.00
Apr	226.00	221.25	231.00 223.00
May	222.00	218.00	222.00 219.00
Jun	220.00	216.00	220.00 219.00

Turnover 5695 (7653) lots of 100 tonnes

FRUIT AND VEGETABLES

Apples are abundant this week with French *Golden Delicious at 40-50p a lb (40-50p)*, reports the FFVIB. Avocados are still a great buy at 40-60p each (40-60p), bananas at 40-55p a lb (40-55p) and pomegranates at 15-20p each all remain at stable prices. *Cauliflower* at 35-50p each (50-65p) are plentiful. English onions at 12-20p a lb (12-20p), swede, potatoes and turnips are all excellent value. *Chinese leaves at 65p-£1.20* a head (65p-£1.20), celery and Spring onions are all very abundant and good value.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Dec	701	707	708 701
Mar	752	758	760 750
May	777	782	785 777
Jul	801	804	807 799
Sep	821	825	821 820
Dec	844	845	850 844
Mar	867	868	869 865

Turnover: 3577 (9122) lots of 10 tonnes

ICCO Indicator prices (SDRs per tonne). Daily price for Nov 21 898.01 (890.52) 10 day average for Nov 22 932.14 (919.77)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low
Nov	570	565	570 563
Jan	583	577	584 573
Mar	585	580	585 558
May	569	568	589 562
Jul	584	581	583 575
Sep	599	597	593

Turnover: 1250 (1681) lots of 5 tonnes

ICO Indicator prices (US cents per pound) for Nov 21: Comp. daily 69.28 (69.42). 15 day average 69.75 (69.95)

SOYAMEAL – HI-PRO £/tonne

	Close	Previous	High/Low
Apr	119.00	117.50	118.50

Turnover 35 (205) lots of 20 tonnes.

GRAINS – BFE £/tonne

Wheat	Close	Previous	High/Low
Nov	117.50	117.35	117.80 117.60
Jan	120.05	119.90	120.10 119.90
Mar	123.75	123.70	123.80 123.70
May	127.05	127.00	127.10 127.00
Jun	128.50		128.50
Barley	**Close**	**Previous**	**High/Low**
Nov	114.00	113.85	114.00
Jan	116.90	116.75	117.00 116.90
Mar	120.30	120.15	120.40 120.30

Turnover: Wheat 438 (255), Barley 63 (178). Turnover lots of 100 tonnes.

PIGS – BFE (Cash Settlement) p/kg

	Close	Previous	High/Low
Jan	88.5		88.5
Mar	93.0	93.5	93.0 92.8
Apr	95.6		94.5

Turnover 42 (74) lots of 3,250 kg

POTATOES – BFE £/tonne

	Close	Previous	High/Low
Feb	94.0	90.0	90.0
Apr	147.5	147.2	146.5

Turnover 19 (31) lots of 40 tonnes.

FREIGHT FUTURES – BFE $10/index point

	Close	Previous	High/Low
Nov	1332	1328	1325
Dec	1325	1314	1320 1310
Jan	1291	1283	1294 1285
Apr	1252	1250	1250 1247
BFI	1310	1306	

Turnover 219 (310)

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	380-380½	192¾-193¼
Opening	380½-381	193-193½
Morning fix	380.20	192.506
Afternoon fix	380.00	192.798
Day's high	380¾-381¼	
Day's low	380-380½	

Coins	$ price	£ equivalent
Mapleleaf	389-394	197-200
Britannia	389-394	197-200
US Eagle	389-394	197-200
Angel	389-394	197-200
Krugerrand	379-382	192-194
New Sov.	89-91	45-46
Old Sov.	89-91	45-46
Noble Plat	462.25-433.10	216.40-219.85

Silver fix	p/fine oz	US cts equiv
Spot	210.70	415.25
3 months	217.50	423.30
6 months	223.95	431.40
12 months	236.20	447.25

TRADED OPTIONS

Coffee	Jan	Mar	Jan	Mar
500	40	73	7	8
550	13	40	30	25
600	3	90	70	54
Cocoa	**Mar**	**May**	**Mar**	**May**
750	76	75	25	48
800	48	52	47	75
850	30	37	19	110
Brent Crude	**Jan**	**Feb**	**Jan**	**Feb**
2900				
2950				
3000		275	180	340

INDICES

REUTERS (Base: September 18 1931 = 100)

Nov 22	Nov 21	mnth ago	yr ago
1704.5	1700.5	1726.3	1841.4

DOW JONES (Base: Dec. 31 1974 = 100)

	Nov 21	Nov 20	mnth ago	yr ago
Spot	123.40	122.51	127.12	130.28
Futures	124.40	124.35	129.82	131.75

Things are looking up for Caribbean sugar producers

US and EC quota arrangements are allowing producers to breathe more easily, writes **Canute James**

DESPITE UNCERTAIN production and frequent failures to meet export quota obligations, Commonwealth Caribbean sugar producers are breathing slightly easier these days.

Their industries, with production costs which would make them uneconomic without preferential treatment, are being supported by the recent US decision to switch to a tariff-based quota system, while changes in currency values have increased earnings from shipments to the European Community.

"The situation for Caribbean producers is looking good on both sides of the Atlantic," said Mr Frank Downie, executive chairman of the Sugar Industry Authority of Jamaica. "It is not as gloomy as it was a few months ago."

The Commonwealth producers – Guyana, Trinidad and Tobago, Barbados, St Kitts, Jamaica and Belize – have received a cumulative quota of 87,370 tonnes from the US. One Trinidadian official described the region's allocation as "reasonable", saying it was helped by problems in domestic US output, mainly a shortfall in Hawaii and the effects of frost in Florida.

He said it was widely held in the region that the Caribbean producers would be asked to ship slightly more than they had been allocated, as US production was expected to be between 200,000 tonnes and 300,000 tonnes less than forecast.

The region is anticipating an fob price of marginally over 21 cents a lb for exports to the US. For industries where production costs are sometimes as high as 15 cents a lb the US quota is an important lifeline.

Even more attractive, say the officials, is the price that has been obtained from the European Community. They explained that the region has benefitted from the weakness of sterling against other currencies in the European monetary system. This entitles the region to a compensatory payment, bringing the price for shipments to the EC in 1990 to about 28 cents per pound, fob.

"There are still some things which are worrying the industry," said Mr Downie. "One is the proposal in the Gatt that the EC cuts its domestic support price for sugar by 30 per cent. If this happens it will reduce the price received by the region as part of the African, Caribbean and Pacific Group."

The benefits from the Commonwealth Caribbean's quotas to the US and the European Community will help to sustain what continues to be a troubled industry. The group's cumulative production last year was 623,000 tonnes, 6 per cent less than 1988, according to the Caribbean Development Bank.

The industry is still worried about the Gatt proposal for a 30 per cent cut in the EC support price

While Belize increased production by 1.8 per cent and Trinidad and Tobago by 1.3 per cent, output fell 2 per cent in Guyana and 10 per cent in Barbados and Jamaica.

The problems have continued into this year. In Guyana, up to three years ago the group's largest producer, this year's harvest is running behind schedule and will be about 155,000 tonnes, against actual output of 164,800 tonnes in 1989. The industry's target for the year is 180,000 tonnes.

Guyana is faced with the embarrassment of having to declare a shortfall on shipments to the EC for the current delivery period which ends June 30. Last June the country declared a 13,000 tonnes shortfall on its EC quota of 167,000 tonnes, following a 35,000 tonnes shortfall in 1989.

The government pleaded force majeure on both occasions – a plea which was accepted by the European Community. The government is hoping the fortunes of the industry will improve following an agreement for Booker, the UK based food and agriculture group, totake over the management of the state-run sugar industry. The agreementis expected to result in new investments of about US$30m.

Booker is expected to convert Guyana's debt to the company of about US$7.5m (representing remaining payments for nationalised assets) into equity, and then to raise just over $20m for rehabilitation of the industry.

In Jamaica the industry is expecting sugar production of 225,000 tonnes for the 1990-91 crop which begins this week. Mr Downie said that if this target is achieved, it would be 9,000 tonnes more than actual production in the 1989-90 crop.

Such an output would be adequate to meet Jamaica's quota obligations to the US and the European Community, and domestic demand for raw sugar, but the island will need to import between 10,000 tonnes and 15,000 tonnes of refined sugar next year to meet domestic demand.

In Belize this year's harvest has yielded 100,297 tonnes, 9,363 tonnes more than the 1989 harvest. Sugar exports in the first six months of this year earned the country $25.7m, up 4.3 per cent from exports in the corresponding period of 1989.

Trinidad and Tobago production this year increased by 3,000 tonnes to 100,000 tonnes, but in neighbouring Barbados the decline in output continued with the harvest yielding 69,000 tonnes, against 66,200 tonnes last year, which the industry said was the lowest since 1948. The target for last year was 80,000 tonnes, following actual output of 83,000 tonnes in 1988. Export earnings from sugar fell in 1989 to $25m, $7m less than 1988.

US markets were closed yesterday for the Thanksgiving holiday. New York's Cocoa, Coffee and Sugar Exchange remains closed today, as does the orange juice futures market.

هكذا من الأصل

LONDON STOCK EXCHANGE

Thatcher departure brings early gains

SHARE PRICES rose sharply on the London stock market yesterday morning after Mrs Thatcher announced her resignation as UK prime minister. However, most of the gains were eroded later as investors reacted to the prolongation of the contest for leadership of the ruling Conservative party.

Firmness in the pound, following the news from Downing Street, buoyed the stock market's hopes for another cut in domestic interest rates before Christmas, and gains in privatisation stocks signalled the City's provisional belief that the departure of Mrs Thatcher could increase the chances of a Conservative victory at the next general election.

The market, already firm as tales of impending political developments circulated, advanced from plus 10 to plus 34.4 on the FT-SE scale within minutes as Mrs Thatcher's resignation flashed across the news screens. Trading volume also increased sharply (see chart) as the pound strengthened and some European funds moved money into the blue chip stocks quoted on the London market.

Account Dealing Dates		
*First Dealings:		
Nov 5	Nov 19	Dec 10
Option Declarations:		
Nov 15	Dec 6	Dec 27
Last Dealings:		
Nov 16	Dec 7	Dec 28
Account Day:		
Nov 26	Dec 17	Jan 7

*New-time dealings may take place from 8.30 am two business days earlier.

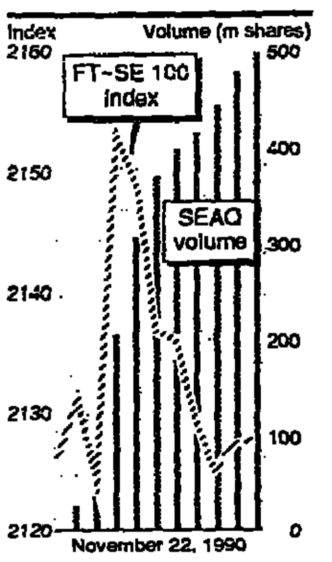
The announcement that Mr Douglas Hurd, the UK foreign minister, will stand against Mr Michael Heseltine in Tuesday's second round of the poll of Conservative members of parliament for the party leadership was widely expected, and welcomed in the stock market. But the news that Mr John Major, the UK chancellor of the exchequer, will also stand, raising the possibility of a third ballot next Thursday, damped down the market's hopes for a speedy termination of what is proving a troublesome political period.

The premium on the FT-SE December futures contract, which had moved ahead strongly at first, was trimmed later and with no lead coming from New York because of the Thanksgiving Day holiday there, London began to stall.

But confidence did receive a further jolt when a news agency report quoting President George Bush from the Gulf was misread as suggesting impending hostilities, and the Footsie Index shed all its early gain and moved briefly into negative territory.

By the end of the session, and with most of London's investment community glued to television screens to watch Mrs Thatcher's robust speech in a no-confidence debate to the House of Commons, interest in the market had faded away.

The final reading put the FT-SE Index at 2,127.9, a net gain of only 1.6 points on what had at first promised to be an historic trading session. Seaq volume increased from 444.5m shares to 498.2m in very late trading; the market's leading alpha and FT-SE 100 listed stocks made up more than 71 per cent of the total, indicating that major institutions had been active in London.



Dividend rise helps Gas

Interim figures from British Gas included a 17 per cent increase in the dividend, right at the top of the range of market expectations. The shares climbed 6½ to 236p in heavy turnover of 23m.

Analysts said there were also other factors behind the rise. Smith New Court singled out the good performance of the company's exploration and production activities and the gain in market share with the rising price of oil. It said that the start of a grey market in electricity company shares, indicating a premium of between 23 and 31 per cent, helped privatisation stocks overall, as did the perception that there was less political risk for shareholders in the wake of the resignation of the UK prime minister.

County NatWest, which had correctly forecast the rise in the dividend, emphasised the political factors and a continued growth in the number of domestic customers.

Payment delayed

Brent Walker fell sharply after it said there would be a delay in a payment for bonds from a trust owned by Mr George Walker, the company's chairman, and his family.

The payment from Birdcage Walk was deferred from November 19 to the closing of the bond issue, which is now scheduled for November 27. The company said yesterday it "will have finance available to fulfil this obligation".

Some 103m bonds, yielding 13 per cent, were placed with a range of banks and institutions at £1 each. Existing shareholders, including Brent Walker, had the right to claw back some of the issue because the bonds are convertible into Brent Walker stock; by buying the bonds, shareholders can avoid diluting their stakes.

The shares lost 14 to 97p, having been as low as 78p.

Rolls-Royce dive

The dark clouds that have been hanging over the business environment of the aerospace industry put pressure on a number of issues in the sector, with a significant downgrading by County NatWest taking its toll on Rolls-Royce. The aero engine maker's share price slipped 6 to 163p after the UK securities house lowered its profits forecast for the group from £290m to £265m this year and from £308m to £280m next year.

County's grim assessment of Rolls-Royce's earnings prospects rests on evidence of a substantial drop in demand from the airlines for spare parts for civil aircraft, which is one of the more profitable sides of the group's business.

Airline companies have been faced with a sharp rise in costs as a result of the jump in the oil price and one convenient way of saving immediate money is to reduce the number of spares they buy, said Mr Pete Deighton at County NatWest. Meanwhile, the Gulf crisis has failed to bring in the extra orders for parts that had been figured into the earlier profits forecast, while the strong cash inflow which had been anticipated earlier has turned out to be biased towards the end of the year.

Regardless of what happens in the Middle East, County expects that the trend among airlines to reduce consumption of spare parts could continue for some time. That judgment led to an even more cautious profits forecast for Rolls-Royce in the coming year. Rolls-Royce closed down 6 at 163p.

British Aerospace was exposed to the tide of growing gloom surrounding the aerospace industry and closed with a drop of 17 at 534p.

Another engineering group that fell prey to negative sentiment stemming from a lower profits forecast by County NatWest was GKN. In justifying its downgrading, from £190m to £180m for both this and next year, analysts at County pointed to a "weak and unpredictable" car market in both the UK and US in addition to some signs of sluggishness in Europe. GKN held up fairly well falling just a penny to 320p.

Whessoe was lifted by a strong performance for the full year with pre-tax profits up 36 per cent to £6.5m from £4.8m. The dividend has been increased to 6.25p while the group's expansion continues with the acquisition of Elcon, a Milan-based maker of safety instruments. Whessoe gained 10 to 134p.

Activity in the electronics sector was mixed. British Telecom was easier by a penny at 284p in robust two-way volume. The move in the issue reflected the crosscurrents of enthusiasm in BT as a safe haven and concern about the ramifications of the duopoly review, commented Mr Bob Pringle at Hoare Govett.

There were favourable views on Courtaulds after Wednesday's strong interim figures, which initially put the share price higher. But it retreated with the wider market to settle little changed on the day. Smith New Court and Hoare Govett both labelled the stock a buy.

BAA, the airports operator, received similar accolades for the longer term, following the previous day's half-yearly statement, but here too the rise in the shares was later pared. They settled 4 up at 395p. "A solid long-term situation underpinned by a forecast of a steady rise in dividend," said the team at Smith New Court.

Conversely, investment analysts advised sales of ECC but the stock recovered further to 314p, up 5. Both Hoare Govett and County NatWest took this stance, with the former saying: "The premium rating ignores the poor trading outlook and uncertainty over the outcome of the Georgia Kaolin acquisition." County simply said: "The worst is still to come."

More bearish comment on the US hotel industry knocked Bass down 23 to 1011p. The latest reports of declining room bookings appeared in the US financial press whereas the previous week the subject was aired at a presentation given by French hotel group Accor.

Whitbread also drew some unfavourable conclusions to Wednesday's first-half statement but the shares improved 9 to 434p. Whitbread might be the best retailer, said Hoare Govett, but that did not insulate it from the retail spending squeeze and with a shortage of diversifications the share's medium term prospects were poor. County NatWest, however, took the opposite view, saying the shares still looked cheap in a market struggling to find real growth.

Out of favour since the government approved the Grand Metropolitan/Elders IXL assets swap of breweries for pubs, Scottish & Newcastle dropped 11 more to 351p. Guinness also turned lower to 740p, down 8, following closer inspection of the Cruz del Campo deal.

UK clearing banks were mostly poor performers in a financial sector generally awaiting an early cut in base rates.

Discount houses were quickly marked up on the prospect of lower borrowing costs. Cater Allen added 10 to 372p while Union Discount finished 6 firmer at 573p.

Building stocks finished well below the day's best levels – achieved at the height of speculation about lower interest rates – but still managed to show a modest improvement from Wednesday's close.

Plastic sheeting and survival equipment group Wardle Storeys, which last week announced plans to buy in up to 5 per cent of its share capital, moved up 6 to 236p. Shareholders have yet to approve the proposal.

Laporte, currently rated the best buy in the chemical sector, rose 5 to 490p while Amersham International advanced 10 further to 299p, still reflecting the benefits of the deal with Eastman Kodak of the US.

De La Rue, the specialist printer which reported interim results last week, enjoyed a revival. Although several researchers have since shaded annual profits estimates on currency considerations, Mr Jonathon Helliwell of Kleinwort Benson recommends clients to buy the shares. He said earnings prospects looked distinctly better than the market average and DLR remained a preferred stock within a sector generally being hit by falling advertising spend. The shares rose 6 to 285p.

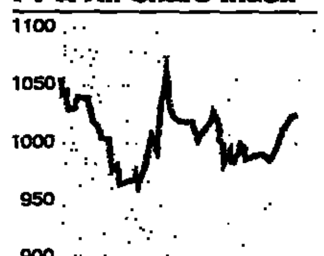
Goodhead Group, a publisher of free newspapers, attracted further attention after announcing that a subsidiary had won contracts worth £350,000 during November. Earlier this week Mr Colin Rosser, the chairman of Goodhead, sold 1.33m shares to Mr John Madjeski, chairman of Hurst Publishing, reportedly at 75p per share. Firmer since that announcement, Goodhead shares recovered a further 10 to 66p.

Water stocks continued to gain ground. Institutions took the view that there was now a better chance of the ruling Conservative party winning the next general election. Its re-election would remove the risks of a return to public ownership which many believe a Labour government would bring about.

Anglian Water rose 8 to 257p while the Water Package touched a high of £2,480 before closing at £2,470, a rise of £45 and an increase of 8 per cent from last Friday. Northumbrian Water, which on Monday leads off next week's batch of interim results, closed 9 higher at 263p.

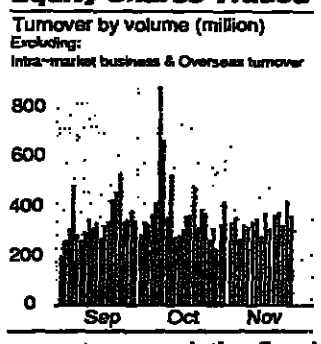
■ Other Market statistics, including the FT-Actuaries share index, Page 33

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding: Intra-market business & Overseas turnover



NEW HIGHS AND LOWS FOR 1990

NEW HIGHS (80).
BRITISH FUNDS (32) BUILDINGS (2) CHEMICALS (1) STORES (2) ENGINEERING (1) FOODS (2) INDUSTRIALS (2) Boots, Sanders & Sidney. TRUSTS (11) WATER (8) OILS (2).
NEW LOWS (83).
AMERICANS (2) CANADIANS (2) BANKS (1) BUILDINGS (6) CHEMICALS (1) STORES (3) ELECTRICALS (6) ENGINEERING (4) FOODS (4) INDUSTRIALS (16) AAF Inv., Arley, CSR, Campbell & Armstrong, Carbo, Electrolux, Hadleigh Inds., Hafsland Nycomed B, Handley-Walker, Hewitt (J), IWP Intl., Polymark, Porter Chadburn, Shaw (Arthur), Stora B, Whitecroft. LEISURE (4) MOTORS (2) PAPERS (6) PROPERTY (3) TEXTILES (1) TRANSPORT (3) TRUSTS (7) OILS (3) OVERSEAS TRADERS (1) MINES (7).

FINANCIAL TIMES STOCK INDICES

	Nov 22	Nov 21	Nov 20	Nov 19	Nov 16	Year Ago	1990 High	1990 Low	Since Compilation High	Since Compilation Low
Government Secs	81.79	81.30	81.10	80.65	80.45	83.70	84.20 (2/1)	74.15 (30/4)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	88.78	88.46	87.27	88.48	88.45	92.71	92.91 (8/1)	83.60 (30/4)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1672.2	1676.0	1667.1	1648.0	1614.8	1754.1	1988.3 (3/1)	1510.4 (24/9)	2008.6 (5/9/87)	49.4 (26/6/40)
Gold Mines	156.0	156.2	155.7	155.0	157.4	291.4	378.8 (6/2)	155.0 (19/11)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2127.9	2126.3	2115.2	2095.9	2068.0	2220.5	2463.7 (3/1)	1990.2 (28/9)	2463.7 (3/1/90)	986.9 (23/7/84)
FT-SE Eurotrack 100	972.49	972.47	974.19	972.67	958.01	-	1000.00 (26/10)	948.81 (8/11)	1000.00 (26/10/90)	948.81 (8/11/90)
Ord. Div. Yield	5.77	5.76	5.76	5.85	5.96	4.77				
Earning Yld %(full)	12.06	12.06	12.03	12.22	12.44	11.44				
P/E Ratio(Net)(*)	10.04	10.04	10.06	9.91	9.73	10.56				
SEAQ Bargains 4.30pm	26,962	24,126	24,405	22,369	24,266	24,474				
Equity Turnover(£m)†	-	800.79	863.95	699.11	881.00	739.24				
Equity Bargains†	-	22,330	23,620	20,482	22,160	23,384				
Shares Traded (mil)†	-	378.1	430.0	330.5	380.3	302.0				

Ordinary Share Index, Hourly changes — Day's High 1700.5 — Day's Low 1668.2

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1679.9	1672.7	1694.7	1691.5	1679.5	1679.0	1672.6	1670.0	1672.2

FT-SE, Hourly changes — Day's High 2160.7 — Day's Low 2123.0

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2131.3	2124.6	2152.9	2148.6	2136.4	2136.1	2129.7	2125.2	2127.6

FT-SE Eurotrack 100, hourly changes — Day's High 978.01 — Day's Low 972.33

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
976.71	976.54	977.43	977.33	977.60	975.81	973.09

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974. * Nil=11.49. FT-SE 100 31/12/83, FT-SE Eurotrack 100 26/10/90. † Excluding intra-market business.

GILT EDGED ACTIVITY

Indices	Nov 21	Nov 20
Gilt Edged Bargains	155.3	145.7
5-Day average	116.8	109.0

*SE Activity 1974. *Excluding intra-market business & Overseas turnover.

London report and latest Share index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ADT	[illegible]	[illegible]	[illegible]
ASDA Group	[illegible]	[illegible]	[illegible]
Abbey National	[illegible]	[illegible]	[illegible]
Allied-Lyons	[illegible]	[illegible]	[illegible]
Amstrad	[illegible]	[illegible]	[illegible]
Anglian Water	[illegible]	[illegible]	[illegible]
Argos	[illegible]	[illegible]	[illegible]
Argyll Group	[illegible]	[illegible]	[illegible]
Ass. Brit. Foods	[illegible]	[illegible]	[illegible]
BAA	[illegible]	[illegible]	[illegible]
BAT Inds	[illegible]	[illegible]	[illegible]
BET	[illegible]	[illegible]	[illegible]
BICC	[illegible]	[illegible]	[illegible]
BOC	[illegible]	[illegible]	[illegible]
BPB Inds	[illegible]	[illegible]	[illegible]
BTR	[illegible]	[illegible]	[illegible]
Bank of Scotland	[illegible]	[illegible]	[illegible]
Barclays	[illegible]	[illegible]	[illegible]
Bass	[illegible]	[illegible]	[illegible]
Beazer	[illegible]	[illegible]	[illegible]
Bensford	[illegible]	[illegible]	[illegible]
Blue Circle	[illegible]	[illegible]	[illegible]
Boots	[illegible]	[illegible]	[illegible]
Brit. Aerospace	[illegible]	[illegible]	[illegible]
British Airways	[illegible]	[illegible]	[illegible]
British Gas	[illegible]	[illegible]	[illegible]
British Land	570	292	-5
BP	2,400	332	+2
British Steel	14,000	115½	+1½
British Telecom	9,200	284	-1
Bunzl	202	65	
Burmah Castrol	458	438	-1
Burton	5,600	87	+1½
Cable & Wire	4,000	412	-1
Cadburys	2,700	329	+5
Calor Group	36	214	-2
Carlton Comms	1,000	323	-5
Coats Viyella	1,100	117	-1
Comm. Union	726	488	
ICI	3,200	884	+10
Inchcape	343	246	-1
Kingfisher	1,300	292	+1
Ladbroke	4,600	270½	+½
Land Securities	1,400	531	-3
Laporte	190	490	+5
Legal & General	1,600	327	+6
Lloyds Abbey	5,000	331	+5
Lloyds Bank	2,000	292	-2
LASMO	162	419	-4
Lonrho	3,300	211	+2
Lucas	1,000	131	-5
MB Caradon	786	167	-3
Ryl Bk Scotland	1,500	154	
Royal Insurance	1,000	338	-1
STC	1,400	317	+1
Saatchi	144	37	
Sainsbury	1,600	287	-2
Scottish & New.	1,700	351	-11
Sears	9,900	68½	+½
Sedgwick	536	228	-1
Severn Trent Water	4,300	224	+5
Shell Transport	4,100	444	+1½
Siebe	732	282	-11
Slough Ests	918	242	+7
Smith (W.H.) A	925	383	+5
Water Package US	[illegible]	[illegible]	+45
Wellcome	[illegible]	[illegible]	[illegible]
Welsh Water	[illegible]	[illegible]	[illegible]
Wessex Water	[illegible]	[illegible]	[illegible]
Whitbread "A"	[illegible]	[illegible]	[illegible]
Wiggins Teape	[illegible]	[illegible]	[illegible]
Williams Hldgs	[illegible]	[illegible]	[illegible]
Willis Corroon	[illegible]	[illegible]	[illegible]
Wimpey	[illegible]	[illegible]	[illegible]
Yorkshire Water	[illegible]	[illegible]	[illegible]

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

Immediate reaction in equity futures

By Jim McCallum

EQUITY FUTURES reacted strongly to the announcement that Mrs Thatcher had resigned as prime minister by rallying sharply, but then retreating on news that the leadership contest would be prolonged, as two senior cabinet ministers joined the Conservative leadership election.

The resignation announcement was greeted with a strong advance by the December FT-SE 100 index contract, which rose 47 points to 2,200. But the rally began to run out of steam, and December eventually closed just 3 points higher at 2,156.

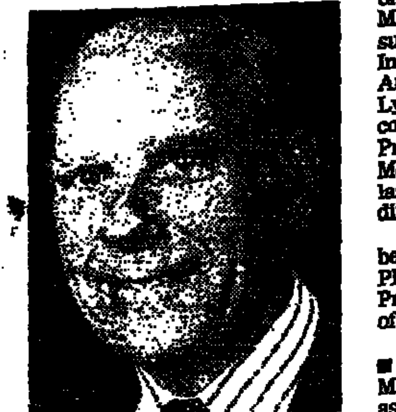
The December contract has risen 5.5 per cent since the begining of the leadership election, compared with the 4 per cent advance by the FT-SE index, indicating that equities would make further modest gains before the year end.

However, Mr Harvey Neale of UBS Phillips & Drew said that with the leadership election still not resolved, the futures market may have peaked. Mr Tony Norman of Barclays de Zoete Wedd added that December futures' high point could be 2,170.

APPOINTMENTS

Chairman of Vosper Thornycroft

■ VOSPER THORNYCROFT HOLDINGS has appointed Mr Peter Usher (pictured) as chairman. He was deputy chairman and



succeeds Mr Roy Withers who remains on the board as a non-executive director. Mr Usher led the team which mounted a mangement buy-out when the company was privatised.

■ Mr Dennis McGuinness and Mr Stewart Carswell are joining BWD RENSBURG, stockbrokers, Glasgow.

■ Mr Richard Lacy, chairman and chief executive of Independent Mortgages Corporation, has become a non-executive director of HPM DEVELOPMENTS.

■ Mr Phil Whitley, has been appointed general manager at Eureka Systems division of DAVY McKEE (POOLE). He was systems engineering manager, automation division.

■ Mr Ian Payne has been appointed managing director of PRICOA RELOCATION MANAGEMENT, UK subsidiary of The Prudential Insurance Company of America. Formerly Merrill Lynch Relocation, the company was part of Prudential's acquisition of the Merrill Lynch Realty Group last year. Mr Payne was director of operations.

Mr Mark A. Brunault has been promoted to director of PIC Europe, an affiliate of The Prudential Insurance Company of America.

■ City solicitors, CAMERON MARKBY HEWITT, has elected as partners Mr John Armstrong, Ms Anne Morris and Mr David Kidd.

■ Mr John Napier has joined the board of ELECTRAK HOLDINGS as a non-executive director. He is financial director of W.H. Smith Group.

■ EMPLOYMENT CONDITIONS ABROAD has appointed as non-executive directors: Mr Geoffrey Dale, personnel director, Cadbury Schweppes; Mr Alan Hawksworth, personnel director, The Boots Company; Mr Anders Sondelius, personnel director, Volvo; and Mr John Walkley, manager of expatriate compensation, Shell International.

■ Mr Robert J. Ashmead (pictured) has been appointed a director of LLOYDS MERCHANT BANK. He is a director of Lloyds Development Capital, where Mr Stuart Rhodes becomes a director, and Mr Peter Brooks and Mr David Sage have been promoted to investment directors.

■ Mr Dennis Hopwood has been promoted to chairman of NOREX INSURANCE BROKERS, a subsidiary of Norex. He was chief executive of the non-marine division. Mr Tony Strachan becomes managing director, while remaining chief financial officer of Norex.

■ Mr George M. Gibson has been appointed a managing director of SANWA INTERNATIONAL, London. He was chief executive of Credit Lyonnais Euro-Securities.

■ Mr Tony Keating has been promoted to head of logistics at UNITED PARCEL SERVICE. He is succeeded as UK district managing director by Mr Peter Quantrill who was head of the freight operation. Mr John Brown has been appointed marketing and planning director in Europe, Middle East and Africa.

■ Lord Alexander of Weedon, chairman of National Westminster Bank, has been appointed a non-executive director of THE RTZ CORPORATION.

■ Mr S. Vivian and Mr J.R. Atkinson have been appointed directors of C.T. BOWRING REINSURANCE.

Mr Philip Rees (pictured), formerly chairman of JOHN LAING's technology division, has been appointed group marketing and information services director, retaining his post as group director for environmental affairs and overall responsibility for quality management.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1990 High	1990 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
99⅞	97	Treas 11¾pc 1991	99⅞	+	11.79	13.45
98	92	Funding 5¾pc '87-91	98	+	5.85	9.90
97	89	Treas 3pc 1991	97	+	3.08	10.07
99	94	Treas 10pc Cv '91	99	+	10.09	12.43
99	94	Exch 11pc 1991	99	+	11.04	12.52
97	90	Treas 8pc 1991	97	+	8.25	11.16
101	97	Treas 12¾pc 1992	101	+	12.57	12.48
98	92	Treas 10pc 1992	98	+	10.16	[illegible]
96	89	Treas 8pc 1992	96	+	8.33	[illegible]
99	93	Treas 10½pc Cv 1992	99	+	10.60	[illegible]
92	82	Treas 3pc 1992	92	+1	3.23	[illegible]
101	95	Exch 12¼pc '92	101	+	12.07	[illegible]
104	98	Exch 13½pc 1992	103	+	13.01	[illegible]
94	86	Treas 8¼pc 1993	94	+	8.75	[illegible]
98	90	Treas 10pc 1993	97	+	10.22	[illegible]
103	96	Treas 12½pc 1993	103	+	12.12	[illegible]
91	82	Funding 6pc 1993	91	+1	6.55	[illegible]
107	99	Treas 13¾pc 1993	106	+	12.89	[illegible]
93	84	Treas 8½pc 1994	93	+	9.10	[illegible]
111	102	Treas 14½pc 1994	110	+	13.18	[illegible]
107	99	Exch 13½pc 1994	107	+	12.60	[illegible]
97	88	Treas. 10pc Ln 1994	97	+	10.24	[illegible]
104	96	Exch. 12½pc 1994	104	+	11.95	[illegible]
94	85	Treas 9pc 1994	93	+	9.58	[illegible]
103	94	Treas 12pc 1995	103	+	11.58	[illegible]
85	73	Exch 3pc Gas 90-95	85	+3½	3.53	[illegible]
97	88	Exch 10¼pc 1995	97	+	10.50	[illegible]

Five to Fifteen Years

1990 High	1990 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
108	97	Treas 12¾pc 1995	106	+	11.93	[illegible]
112	101	Treas 14pc '96	110	+	12.68	[illegible]
92	82	Treas 9pc 1992-96	92	+	9.72	[illegible]
119	107	Treas 15¼pc 1996	116	+	13.12	[illegible]
110	99	Exch 13¼pc 1996	108	+	12.21	[illegible]
96	85	Conversion 10pc 1996	95	+	10.44	[illegible]
112	98	Treas 13¼pc 1997	109	+	12.15	[illegible]
99	87	Exch 10½pc 1997	97	+	10.76	[illegible]
91	79	Treas 8¾pc 1997	89	+	9.75	[illegible]
121	106	Exch 15pc 1997	117	+	12.79	[illegible]
95	83½	Exch. 9¾pc 1998	93	+	10.41	[illegible]
81	70	Treas 6¾pc 1995-98	80	+	8.39	[illegible]
126	110	Treas. 15½pc '98	121	+	12.75	[illegible]
107	93	Exch 12pc 1998	104	+	11.51	[illegible]
95	82	Treas 9½pc 1999	92	+	10.31	[illegible]
109	94	Exch 12¼pc 1999	105	+	11.60	[illegible]
99	85	Treas. 10½pc 1999	96	+	10.85	[illegible]
98	84	Conversion 10¼pc 1999	95	+	10.77	[illegible]
92	78	Conversion 9pc 2000	88	+	10.12	[illegible]
114	98	Treas. 13pc 2000	109	+	11.84	[illegible]
97	82	Treas 10pc 2001	93	+	10.70	[illegible]
117	102	Treas 14pc '98-01	113	+	12.37	[illegible]
96	81	Treas 9¾pc 2002	91	+	10.66	[illegible]
119	102	Treas 13¾pc 2000-03	113	+	12.09	[illegible]
99	82	Treas 10pc 2003	93	+	10.75	[illegible]
93	91	Treasury 10pc 2003 "A"	93	+	10.75	[illegible]
106½	90	Treas 11½pc 2001-04	101	+	11.34	[illegible]
56¼	45	Funding 3½pc '99-04	52	+	6.66	[illegible]
96½	79	Conversion 9½pc 2004	87	+	10.60	[illegible]
96	79	Conversion 9½pc 2005	89	+	10.60	[illegible]

Over Fifteen Years

1990 High	1990 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
117½	98	Treas. 12½pc 2003-05	109	+	11.41	[illegible]
84	69	Treas. 8pc 2002-06	78	+	10.20	[illegible]
111	93	Treas. 11¾pc 2003-07	104½	+	11.24	[illegible]
89	73	Treas 8½pc 2007	82	+	10.27	[illegible]
125	105	Treas. 13½pc '04-08	116¾	+	11.56	[illegible]
94½	77	Treas 9pc 2008	87	+	10.34	[illegible]
85	69	Treas 8pc 2009	78	+	10.15	[illegible]
94¾	77¼	Conv 9pc Ln 2011	86	+	10.39	[illegible]
63	50	Treas. 5½pc 2008-12	58	+	9.48	[illegible]
83	67¼	Treas 7¾pc 2012-15	75	+	10.26	[illegible]
122¼	100	Exch. 12pc '13-'17	111	+2	10.75	[illegible]

Undated

1990 High	1990 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
41	33	Consols 4pc	36¾	+¼	10.85	
36	29	War Loan 3½pc	32¾	+¼	10.65	
61	55	Conv. 3½pc '61 Aft.	57¾	+	6.06	
32	26	Treas. 3pc '66 Aft	28	+	10.67	
25	20	Consols 2½pc	23½	+	10.64	
25½	20¼	Treas. 2½pc	23	+	10.72	

BRITISH FUNDS—Contd

Index-Linked

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for March 1990: 121.4 and for October 1990: 130.3.

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Contd

CANADIANS

Continued on next page

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BANKS, HP & LEASING

1990 High	Low	Stock		Price	+ or -	Div Net	C'vr	Y'ld Gr's	P/E
£13¼	£9	ABN Amro F15		£9½	-¼	Q28%	2.1	8.9	5.3
303	145	ANZ SA1		148	-5	44c	1.4	11.5	6.2
233	172	Abbey National 10p	∅	227	+1	5.7	4.3	3.3	9.2
*274	128	Allied Irish Ord	ß	148xd	+1	†Q40%	3.3	6.1	6.7
85	47	Anglo Irish	¥	53	....	Q17.9%	9	7.8	●
93	61	Ansbacher (H.) 1p	ß	61	....	2.5	1.3	5.5	17.6
£71½	£32½	Banca Cie Fr100		£48	-¼	hQ12¼%	–	2.7	–
£22⅛	£13⅛	Banco Bilbao Viz		£14⅛	+⅛	Q49.1%	2.7	5.7	9.7
286	130	Bank Ireland Ir£1	ß	150xd	+4	Q14.7%	2.9	8.8	5.3
£19½	£18	Bank Leumi		£19½	....	–	–	–	–
351	320	Bank Leumi (U.K.)		350	....	†15.0	–	5.7	–
129½	100	Bank Scotland	∅	115	+2	†4.55	3.4	5.3	7.3
100¼	83¼	Do 9¼pc Irrd Pf	¥	98½	+1	9¼%	–	12.5	–
54	39	Bank of Wales		42	....	2.8	0.8	8.9	(20.2)
428	290	Barclays £1	∅	372	-4	m19.57	3.5	7.0	5.2
22	10	Benchmark 20p	¥	11	....	0.75	–	9.1	–
335	225	Brown Shipley £1	ß	225	-20	12.0	2.2	‡	7.2
*435	285	Cater Allen £1	ß	372xd	+10	F24.5	–	8.8	–
179	29	Chancery	¥	37	....	9.0	2.7	–	1.5
£23¾	£14	Commerzbk DM10		£16¼	+⅛	Q18%	–	3.8	–
£13¼	620	Dai Ichi KBk Y50		714	+17	Q17%	6.2	0.5	33.7
£315½	£167½	Deutsche Bk DM50		£214½	-3⅛	Q28%	–	2.2	–
£20⅛	£14⅝	Espirito Santo		£15¼	+⅛	Q75c	5.1	2.4	8.1
253	166	First Nat. Fin. 10p	ß	188	+5	13.0	2.1	9.2	6.5
121	82	FNFC 6.3pc Cv Pf	¥	91	....	6.3%	–	9.2	–
£13¼	633	Fuji Bank Y50		837	+29	†Q17%	6.9	0.4	35.6
325	262	Gerrard & National	ß	303	+9	19.0	–	8.4	–
154	85	Guinness Mahon 10p	ß	85	....	2.1	–	3.3	–
328	194	Hambros 20p	ß	235	-1	11.5	–	6.5	–
128	88	Do 7.5pc Cv Pf	¥	97	+1	7½%	–	10.3	–

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS – Contd

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

1990 High	Low	Stock		Price	+ or -	Div Net	C'vr	Y'ld Gr's	P/E
12	3	♦Clearmark 5p	¥	4½	....	–	–	–	3.5
18	7½	♦Colorgen Inc. $0.01	¥	7½	....	–	–	–	–
43	16	♦Comac Group 5p	¥	16	....	–	–	–	●
228	160	Community Hospital	¥	185	....	5.2	2.7	3.7	12.3
71	7	♦Co. of Designers 5p	¥	8	....	‡3.5	0.9	‡	2.4
288	170	Computer People 5p	¥	178	....	t5.85	3.6	4.6	7.3
71	41	Cont. Station'y 10p	¥	41	....	4.0	2.2	13.0	4.4
306	48	Cookson 50p	∅	95	+4	9.0	2.2	12.6	(4.0)
210	100	Cooper (Alan) 10p	¥	108	-1	7.7	2.1	9.5	6.8
75	41	♦Copymore 5p	¥	41	....	d2.5	0.1	8.1	–
131	101	Cornwell Parker "A" 5p	¥	108	-2	5.5	2.7	6.8	7.1
235	141	Cosalt	¥	141	....	10.75	●	10.7	●
391	267	Courtaulds	∅	318	....	†11.1	3.2	4.7	8.9
170	33	Courtney Pope 50p	¥	33	....	3.75	–	15.2	–

INDUSTRIALS (Miscel.) – Contd.

1990 High	Low	Stock		Price	+ or -	Div Net	C'vr	Y'ld Gr's	P/E
113	70	Stotch	¥	78	....	†12.63	3.9	4.5	[illegible]
150	101	Stoflow Group	¥	119	+1	7.7	1.9	8.6	[illegible]
530	245	Siebe	∅	282	-11	15.0	3.1	7.1	[illegible]
101	75	Silentnight 10p	¥	89	....	5.0	2.1	7.5	9.2
120	51	Silvermines 2½p	¥	54	....	[illegible]	4.8	9.7	[illegible]
*253	154	Sinclair (Wm.)	¥	215	....	96.4	2.7	4.0	12.6
*374	74	Skatchley	ß	78	+1	[illegible]	1.1	[illegible]	[illegible]
137½	88½	Smith & Nephew 10p	∅	108½	-1	4.25	1.8	5.2	[illegible]
631	460	SmithKline Beecham A	∅	580xd	+7	W11.0	2.7	2.5	19.4
2788	2090	Do. Equity Units	∅	2560xd	+30	–	–	–	19.6
298	183	Smiths Inds	∅	224	-3	9.9	2.5	5.7	8.5
108	31	Somic	¥	31	....	‡2.5	2.7	‡	4.6
1600	463	Sotheby Hldgs Inc Class A		513	....	s060c	–	5.9	–
145	51	♦Stag Bus Grp 10p	ß	58	+1	†01.96	4.8	4.5	[illegible]

INSURANCES

LEISURE

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

هكذا من الاصل

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MOTORS, AIRCRAFT TRADES – Contd

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY – Contd

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

INVESTMENT TRUST

INVESTMENT TRUST – Contd

INVESTMENT TRUST – Contd

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

For York Trust see Babcock Prebon

WATER

OIL AND GAS

OIL AND GAS – Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES – Contd

Tins

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's
35	25	♥Ayer Hitam SM1	25	..	ǂQ53.3c	0.7	–
75	45	Gopeng Berhad M$0.50	45	.....	Q11c	2.6	4.6
67	27	Malaysia Mng. 10c	27	..	Q7c	2.3	4.9
160	130	Petaling SM1	130	.....	Q180c	–	26.0
90	90	Tanjong Tin 15p	90xd	...	–	–	–

Miscellaneous

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's
190	85	Anglesey Mining 9p y	88	–2	–	–	–
110	7	Do. Warrants y	7	–2	–	–	–
17	4½	Anglo-Dominion	6		–	–	–
651	196	Bond Intl. Gold	197	–6	–	–	–
37	12	Butte Mining 10p y	13	..	–	–	–
44	4	♥Colby Mines	5½	..	–	–	–
122	25	Cons. Murch 10c	25	...	Q30c	5.5	–
26	3	♥DRX Inc	3	...	–	–	–
24½	7	♣Ennex.Int. Ir10p y	7		–	–	–
98	20	Europa Minerals 2p y	26		1.0	–	5.1
86	25	Geevor y	25	–1	–	–	–
43	13	Greenwich Res.	16	.....	–	–	–
£10⅞	£4 [illegible]	♥Hemlo Gold Mines	£4¼	–¼	S020c	–	1.9
£14 [illegible]	£8 [illegible]	Homestake Mining $1	£8⅝	...	020c	–	1.2
49½	13	♣Kenmare y	13	...	–	–	–
20¼	7	♥New Sabina Res C$1	14	....	–	–	–
457	57	Northgate Expl. C$1	59	+2	s–	–	–
39¾	3½	♥Nor-Quest Res	4½	....	–	–	–
255	90	Oryx Gold Hldgs.	182	....	–	–	–
93	42	Plateau Mining 20p y	44	...	–	–	–
605	392	RTZ 10p	444	–1	118.5	2.5	5.6
14	4¼	♥Thorco Res. Inc	5¼	....	–	–	–
18	5	Vizcaya Hldgs 5p y	10	....	–	–	–
178	138	♣Young Group 10p y	138	...	17.8	2.7	7.5

THIRD MARKET

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
30	5	Analysis Hldgs 20p y	5	..	–	–	–	–
53	28	Andaman Res. 10p y	48	....	–	–	–	–
20½	10½	Automobiles el Dist. 5p	12	....	♦	–	–	–
1½	0¾	Barbican Hldgs 1p y	1	...	–	–	–	♦
45	31	Biocure 1p y	40	...	–	–	–	–
18	7	Burmin Exploration y	8	...	–	–	–	–
225	205	Cafe Inns £1	225	...	–	–	–	14.1
22	10	Caldwell Invs. 10p y	10	....	–	–	–	–
16½	10½	Caspen Oil 10p y	13½	–½	–	–	–	♦
25	16	Celtic Gold y	19	..	–	–	–	–
95	36	Chelsea Artisans 5p y	36	..	–	–	–	–
24	6	ChemEx Intl y	14	–1	–	–	–	–
215	95	Citybond Storage Serv.	95	...	–	–	–	–
23	10¼	Dana Expl.	12 [illegible]	+¼	–	–	–	–

NOTES

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♦ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1990-91. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1991. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1991. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or –
Craig & Rose £1 y	700xd	...
Finlay Pkg 5p y	36	.....
Holt (Jos) 25p y	1305	.....

IRISH

Stock	Price	+ or –
Cap 8½% Ln 1991	£98¼	.....
9pc Cap Ln. 1996	£94	+¼
Fin. 13% 97/02	£110½	.....
Arnotts	167¼xd	...
Carrol (P.J.)	154	...
Heiton Hldgs. y	43	.....
IRG	153¼	...
United Drug	133	...

TRADITIONAL OPTIONS

3-month call rates

Industrials

Stock	p
Allied-Lyons	40
Amstrad	6
Astec (BSR)	4½
BAT	45
BOC Grp	39
BTR	29
Barclays	27
Blue Circle	17
Boots	21
Bowaters	41
Brit Aerospace	43
British Steel	10½
Brit. Telecom	22
Cadburys	26
Charter Cons.	37
Comm Union	37
Courtaulds	25
Eurotunnel	40
FKI	5½
FNFC	20
Gen Accident	37
GEC	14
Glaxo	57
Grand Met	44
Guardian	15
GKN	27
Hanson	16
Hawker Sidd	39
ICI	78
Ladbroke	22
Legal & Gen	29½
Lex Service	28
Lloyds Bank	21
Lucas Inds	11
Marks & Spencer	18
Midland Bk.	20
Nat West Bk	18
P & O Dfd.	42
Racal Elect.	14
RMM	23
Rank Org Ord.	49
Reed Intnl	30
STC	19½
Sears	8½
SmKl. Beecham A.	44
TI	37
TSB	10
Tesco	19
Thorn EMI	49
Trust Houses	21
T&N	14
Unilever	50
Vickers	19
Wellcome	98

Property

Stock	p
Brit Land	24
Control Secs.	3½
Land Securities	42
MEPC	30
Mountleigh	11

Oils

Stock	p
Aviva Petlm	3½
Brit Petroleum	28
Burmah Castrol	44
Conroy Petlm	20
Gaelic Res.	2
Premier	8½
Shell	40
Toskar Res.	6
Ultramar	31

Mines

Stock	p
Lonrho	21
RTZ	40

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1,050 a year for each security shown, subject to the Editor's discretion.

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AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The minimum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 – 379 – 0444.

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	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Target Trust Mngrs Ltd (1600)F						
Target Hse, Gatehouse Rd, Aylesbury, Bucks.						
Admin: 0296 394000			Dealing: 0296 392156			
American Eagle	5	57.36	57.36	61.26	+0.12	1.26
Australia	5	5.281	5.281	5.655	[illegible]	0.72
Equity	5	142.0	142.0	152.2	+0.7	5.05
Euro Spec Sits	5	96.92	96.92	104.3	-0.4	0.66
Financial	5	25.19	25.35	27.26	+0.29	5.48
Global Opps Inc	5	56.39	56.39xd	60.60	+0.35	0.00
Global Opps Acc	5	57.62	57.62	61.91	+0.35	0.00
Gold & Gen Inc	5	33.58	33.58xd	36.12	-0.09	1.11
Gold & Gen Acc	5	62.78	62.78	67.52	-0.18	1.11
Income	5	88.65	88.65	95.23	+0.47	6.72
Japan & General	5	110.3	110.3	118.6	+2.5	0.00
Preference Share	5	17.57	17.57xd	18.89	-0.27	14.04
UK Capital	5	77.56	77.56	83.26	+0.22	4.20
World Income	5	53.24	53.24xd	57.15	+0.08	6.18
Worldwide Capital	5	146.3	146.3	157.3	+0.5	3.48
Templeton Unit Trust Managers Ltd (1200)F						
Atholl Crescent, Edinburgh EH3 8HA			031 228 9992			
Global Growth Acc	6	90.81	91.52	97.88	-0.13	3.65
Global Growth Inc	6	87.25	87.93	94.04	-0.13	3.65
Global Balanced Acc	6	92.83	93.35	99.84	+0.07	4.80
Global Balanced Inc	6	86.49	86.96	93.01	+0.06	4.80
Value Tst Acc	6¼	67.90	66.87	73.66	-0.28	4.30
Value Tst Inc	6¼	66.20	67.15	71.82	-0.28	4.63
Intl Fxd & Cr Ins Inc ♥	2	85.68	86.97	91.30	---	3.97
Intl Fxd & Cr Ins Acc ♥	2	82.60	83.92	88.10	---	3.97
Thornhill Unit Trust Managers Ltd (1200)F						
28 St John's Sq, London EC1M 4AE			071-251 6767			
Capital	5	47.08	47.27	50.28	---	-
Overseas	5	39.44	39.63	42.15	---	-
(Accum Units)	5	-	-	-	---	-
Thornton Unit Managers Ltd (1000)F						
33 Cavendish Sq., London W1M 0DH			071-493 7262			
Dealing 071-493 8545						
American Opps	5	40.69	40.69	43.39	-0.35	0.26
(Accum Units)	5	41.87	41.87	44.65	-0.34	0.26
Cash	0	51.09	51.09	51.09	-0.34	0.26
Accum Units	0	51.09	51.09	51.09	+0.02	14.08
European Opps &	5	55.50	55.50xd	59.04	+0.02	14.00

	Bid Price	Offer Price	+ or -	Yield Gross
Murray Johnstone UT Mngmt				
Murray Exempt Funds				
Amer Expt Nov 13	37.4	38.6	---	2.73
Euro Expt Nov 13	46.9	49.2	---	2.56
Fixed Int Ex Nov 13	44.5	45.7	---	10.42
Japan Expt Nov 13	39.1	40.8	---	0.72
Managed Ex Nov 14	37.4	38.8xd	---	4.92
SE Asia Expt Nov 13	54.7	57.4xd	---	4.17
Sm Cos Expt Nov 13	27.8	29.1xd	---	5.63
UK Eqty Ex Nov 13	35.7	37.4	---	4.10
Phillips & Drew Fund Management Ltd				
Small Co's Nov 6	589.8	632.5xd	---	5.89
Do Accum	656.0	703.2	---	5.89
Int Expt Nov 21	143.5	145.7	-0.8	3.49
UK Index Nov 6	960.6	982.0	---	6.06
Do Accum	1016	1037	---	6.06
Convertible Nov 16	78.09	80.66	---	9.74
World ex UK Index Nov 19	636.60	645.20	---	2.15
Do Accum	642.86	651.55	---	2.15
Japan Index Nov 19	512.40	519.90	---	0.55
Do Accum	513.40	520.80	---	0.55
USA Index Nov 19	733.1	737.80	---	3.53
Do Accum	743.4	748.1	---	3.53
Europe ex UK Index Nov 19	791.50	811.0	---	3.14
Do Accum	803.80	825.50	---	3.14
Pacific ex Jap Index Nov 19	719.00	735.40	---	5.44
Do Accum	728.5	749.2	---	5.44
Managed Exempt Nov 21	90.06	91.71	+1.97	5.9
American Exempt Nov 21	97.31	98.91	-1.59	4.96
European Exempt Nov 21	101.7	103.1	+0.3	3.79
Japan Exempt Nov 21	99.37	100.6	-2.7	0.36
Pacific Basin Nov 21	96.66	98.96	+0.2	4.91
NM Rothschild Asset Management Ltd				
NC Managed	52.9	56.3xd	+0.4	4.31
NC Property	174.3	191.2	---	-
J. Rothschild Fund Managers Ltd				
Intl Exempt Accum	118.3	119.2xd	---	4.21
Stewart Ivory & Co Ltd				
Saints PPP Oct 12	224.9	236.8	---	-

INSURANCES

OTHER UK UNIT TRUSTS

[illegible]

Continued on next page

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National Provident Institution
48 Gracechurch St, London EC3P 3HH 071-623 4200

[illegible]

Norwich Union Asset Management Ltd

[illegible]

Norwich Union Life Insurance Soc.

[illegible]

Pearl Assurance (Unit Funds) Ltd

[illegible]

Pegasus Assurance Ltd

[illegible]

Pioneer Mutual Insurance Co Ltd

[illegible]

Premium Life Assurance Co Ltd

[illegible]

Professional Life Assurance Co Ltd

[illegible]

Prolific Life & Pensions Ltd

[illegible]

Property Equity & Life Ass. Co

[illegible]

Property Life Assurance Ltd

[illegible]

Providence Capital Life Assc. Co Ltd

[illegible]

Providence Capital Life Assc. Co Ltd – Contd.

[illegible]

Provident Life Assoc Ltd

[illegible]

Provident Mutual Life Assc. Assn.

[illegible]

Prudential Assurance Co

[illegible]

Prudential Holborn Life Ltd

[illegible]

Prudential Holborn Pensions Ltd

[illegible]

Prudential Pensions Limited

[illegible]

Regency Life Assurance Co Ltd

[illegible]

Reliance Mutual

[illegible]

Royal Heritage Life Assurance Ltd

[illegible]

Royal Heritage Life Assurance Ltd – Contd.

[illegible]

Royal Life Insurance Ltd

[illegible]

Royal Liver Assurance

[illegible]

Save & Prosper Group

[illegible]

Scottish Amicable

[illegible]

Scottish Equitable Life Assce. Soc.

[illegible]

Scottish Life Investments

[illegible]

Scottish Mutual Assurance Society

[illegible]

Scottish Mutual Investments

[illegible]

Scottish Provident Institution

[illegible]

Scottish Widows' Group

[illegible]

Shield Assurance Ltd

[illegible]

Skandia Life Assurance Co Ltd

[illegible]

Skandia Life Assurance Co Ltd – Contd.

[illegible]

Standard Life Assurance Company

[illegible]

Sun Alliance Group

[illegible]

Sun Alliance Group – Contd.

[illegible]

Sun Life of Canada (UK) Ltd

[illegible]

Sun Life Unit Assurance Ltd

[illegible]

Swiss Life (UK) PLC

[illegible]

TSB Life Ltd

[illegible]

Target Life Assurance Co Ltd

[illegible]

Teachers' Assurance Company Ltd

[illegible]

Templeton Life Assurance Limited

[illegible]

Tunbridge Wells Equitable

[illegible]

Wesleyan Assurance Society

[illegible]

Windsor Life Assur Co Ltd

[illegible]

Woolwich Life Assurance Co Ltd

[illegible]

Zurich Life Assurance Co Ltd

[illegible]

OFFSHORE INSURANCES

AEtna Intl Assurance (Bermuda) Ltd

[illegible]

Albany International Assurance Ltd

[illegible]

CMI Insurance Co Ltd

[illegible]

Eagle Star Intl Financial Services

[illegible]

Equity & Law Intl Life Assce Co Ltd

[illegible]

Eurolife Assurance Group

[illegible]

Finance International Ltd

[illegible]

Hansard International Ltd

[illegible]

Isle of Man Assurance Ltd

[illegible]

NEL Britannia International Ltd

[illegible]

NM Life Assurance Int Ltd

[illegible]

Premium Life International Ltd

[illegible]

Providence Capital International Ltd

[illegible]

Royal Life Intl. Ltd

[illegible]

Royal Skandia Life Assurance Ltd

[illegible]

Sun Alliance International Life

[illegible]

Target International Group

[illegible]

MANAGEMENT SERVICES

[illegible]

J. O. Ward Financial Services Ltd

[illegible]

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Orion Fund Limited

[illegible]

CANADA (SIB RECOGNISED)

Ivory & Sime Pembroke Inc

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)

[illegible]

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	Bid Price	Offer Price	+ or -	Yield Gross
Baring Int Fund Managers Guernsey Ltd				
Mngd Portfolio (Dlr)	$9.78	10.40	---	-
Mngd Portfolio (Stg)	£3.58	3.84	---	-
Baring Currency Fund Ltd				
US Dollar		$14.59	+0.01	-
Sterling		£17.83	+0.01	-
Deutschmark		DM38.13	---	-
Japanese Yen		Y3,808	---	-
Managed	$42.49	44.61	+0.07	-
Dantrust Management (Guernsey) Ltd				
Dantrust Limited	DKr117.0	117.2	---	-
Finsel-Consell Fund Mngrs (Guernsey) Ltd				
Hauteville G & B Fd	SFr7.80	7.85	---	2.30
John Govett Mngmnt International Ltd				
Govett High Inc Gilt	£0.3560	0.3792	+0.025	12.92
Govett Far East Inv	$0.900	0.962	+0.006	-
Energy & Resources	$0.660	0.705	+0.001	-
Hambros Fund Managers (CI) Ltd				
Japanese OTC	$8.7617	9.3230	-0.1895	-
Havelet Throgmorton Mngmt Ltd				
Intl Inv-Stg High Inc	£9.985	10.538	---	10.09
Intl Inv-Intl High Inc	$49.160	51.759	---	5.54
Henderson Admin. (Guernsey)				
Man Act Portfolio	£0.908			
Balanced Gwth $ Prtflo	$1.806	1.950	-0.012	-
Balanced Gwth £ Prtflo	£1.047	1.123		-
Select Mkts $ Prtflo	$1.896	1.999	+0.002	-
Inc & Gwth $ Prtflo	$1.688	1.787	-0.005	-
High Income £ Prtflo	£0.599	0.629	-0.002	-
Hill Samuel Fd. Mngrs. (Guernsey) Ltd				
Guernsey Tst	65.17	69.70	-0.15	2.87
Kleinwort Benson Intl Fd Mngrs Ltd				

Capital House Fund Mgrs—Contd.

Gartmore Fund Managers International Ltd

Murray Johnstone (Jersey) Ltd

Nat. Westminster Jersey Fd. Mgrs. Ltd

Northgate Unit Tst. Mngrs

Perpetual UT Mngrs (Jersey) Ltd

The Portugal Fund Limited

Prudential Intl Financial Services Ltd

Royal Trust Fd Mngt (CI) Ltd

IRELAND (SIB RECOGNISED)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

Unico Financial Services SA Lux

Viking Fund—SICAV

World Bond Fund—SICAV (u)

World Capital Gwth Fd—SICAV (u)

Gartmore Investment Ltd

Genesis Fund Managers Ltd

German Selection Associates N.V.

Nomura Warrant Fund 1990 Ltd

North Star Fund Managers (Cayman) Ltd

MANAGED FUNDS NOTES

FOREIGN EXCHANGES

Sterling dominates a quiet day

A LITTLE late selling in a thin market pushed sterling down towards the day's lows at the close in London last night. The pound had a fairly volatile day, but kept within a narrow range. Dealers were not totally surprised that the UK is to have a new prime minister, but the timing and manner of Mrs Margaret Thatcher's announcement that she would not be contesting the second ballot for leadership of the ruling UK Conservative party caught the market unawares.

Initial reaction was to sell sterling but by mid-day, after an eventful morning, it had returned to pre-Thatcher resignation levels. The pound was quoted at \$1.9705 and DM2.9150 before Mrs Thatcher's announcement and then fell, before rising quickly to \$1.9735 and DM2.9200. News of a larger than expected UK current account deficit of £1.08bn in October, against a revised September shortfall of £813m, brought the currency back a little, and at noon sterling was \$1.9695 and DM2.9150. A trade deficit of around £1bn had been widely forecast, but against the background of political events the news had virtually no impact.

After trading between DM2.9150 and DM2.9200 for most of the day the pound slipped in late European trading to close near the day's low in London at DM2.9100, compared with DM2.9175 on Wednesday. It was also around the day's low in terms of the dollar at the close, but was little changed on the day at \$1.9690 against \$1.9685 previously. Against other major currencies the pound fell to FFr9.8250 from FFr9.8425; to SFr2.4600 from SFr2.4625; and to Y250.75 from Y251.25. On Bank of England figures the pound's index rose 0.2 to 94.2, but this was calculated before the late fall.

Sterling stayed at the bottom of the European Monetary System. The Danish krone was the second weakest member of the EMS exchange rate mechanism and like the pound in recent weeks suffered from political nervousness as the centre right coalition government of Mr Poul Schlueter decided to call a general election for December 12.

Neither currency was under any pressure however, with dealers looking towards a possible rally by sterling, since all three prospective candidates for leadership of the UK Conservative party are regarded as pro-European.

Foreign exchange trading was generally quiet, with US markets closed for Thanksgiving Day. The dollar was weaker overall, but there was no news to influence the market. The US currency declined to DM1.4780 from DM1.4815; to Y127.30 from Y127.60; to SFr1.2490 from SFr1.2515; and to FFr4.9900 from FFr5.0000. Its index rose to 59.9 from 59.8.

Prices and some other rates from New York, Chicago and Philadelphia markets quoted in tables on this page are for Wednesday, given the US holiday.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Nov 22	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	130.041	−2.69	3.63	47
D-Mark	2.05586	2.05123	−0.23	1.08	18
Dutch Guilder	2.31643	2.31425	−0.09	0.94	7
Belgian Franc	42.4032	42.3751	−0.07	0.91	6
Irish Punt	0.767417	0.767246	−0.02	0.87	3
Italian Lira	1538.24	1541.20	0.19	0.65	−7
French Franc	6.89509	6.91824	0.34	0.51	−16
Danish Krone	7.84195	7.87738	0.45	0.39	−18
Sterling	0.696904	0.702813	0.85	0.00	−16

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

£ IN NEW YORK

Nov 21	Close	Previous Close
£ Spot	1.9695-1.9705	1.9650-1.9660
1 month	1.01-0.99pm	1.00-0.98pm
3 months	2.66-2.63pm	2.69-2.66pm
12 months	7.80-7.70pm	8.00-7.90pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Nov 22	Previous
8.30 am	94.1	93.8
9.00 am	94.1	93.9
10.00 am	94.2	93.8
11.00 am	94.3	93.9
Noon	94.1	93.9
1.00 pm	94.2	93.8
2.00 pm	94.2	93.8
3.00 pm	94.2	94.0
4.00 pm	94.2	94.0

CURRENCY MOVEMENTS

Nov 22	Bank of England Index	Morgan Guaranty Changes %
Sterling	94.2	−18.2
U.S. Dollar	59.9	−19.3
Canadian Dollar	101.0	−0.2
Austrian Schilling	110.4	+12.3
Belgian Franc	112.0	+3.7
Danish Krone	111.1	+4.4
D-Mark	121.1	+26.1
Swiss Franc	115.7	+24.4
Dutch Guilder	115.1	+16.9
French Franc	105.6	−11.2
Lira	100.0	−18.2
Yen	136.5	+72.1

Morgan Guaranty changes: average 1980-1982=100 Bank of England Index (Base Average 1985=100). *Rates are for Nov 21

CURRENCY RATES

Nov 22	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	-	0.737674	0.702813
U.S. Dollar	7	1.45201	1.38503
Canadian $	12.82	1.68740	1.60999
Austrian Sch.	6½	15.0948	14.4334
Belgian Franc	10½	44.3332	42.3751
Danish Krone	9½	8.21541	7.87738
D-Mark	6	2.14560	2.05123
Dutch Guilder	7½	N/A	2.31425
French Franc	9½	7.22779	6.91824
Italian Lira	12½	1611.61	1541.20
Japanese Yen	6	186.577	176.249
Norway Krone	10½	8.37529	8.01657
Spanish Peseta	-	135.970	130.041
Swedish Krona	11	8.02757	7.68505
Swiss Franc	6	1.80767	1.73268
Greek Drach.	20½	N/A	210.594
Irish Punt	-	N/A	0.767246

† European Commission Calculations. * All SDR rates are for Nov 21

OTHER CURRENCIES

Nov 22	£	$
Argentina	[illegible]	[illegible]
Australia	2.5585 - 2.5605	1.2990 - 1.3000
Brazil	[illegible]	[illegible]
Finland	7.0035 - 7.0170	3.5570 - 3.5600
Greece	303.50 - 307.25	155.45 - 156.15
Hong Kong	15.3335 - 15.3470	7.7845 - 7.7865
Iran	125.00*	63.00*
Korea(Sth)	1397.05 - 1419.60	711.90 - 717.50
Kuwait	N/A	N/A
Luxembourg	60.20 - 60.30	30.55 - 30.65
Malaysia	5.2755 - 5.2880	2.6825 - 2.6845
Mexico	5783.00 - 5793.00	2936.00 - 2946.00
N.Zealand	3.2095 - 3.2145	1.6290 - 1.6320
Saudi Ar	7.3650 - 7.4080	3.7490 - 3.7510
Singapore	3.3665 - 3.3745	1.7090 - 1.7100
S.Af (Cm)	4.9515 - 4.9580	2.5140 - 2.5155
S.Af (Fn)	6.7255 - 6.8415	3.4130 - 3.4720
Taiwan	53.50 - 53.60	27.15 - 27.20
U.A.E.	7.2135 - 7.2560	3.6720 - 3.6740

* Selling rate

POUND SPOT - FORWARD AGAINST THE POUND

Nov 22	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.9645 - 1.9800	1.9685 - 1.9695	0.99-0.97cpm	5.97	2.49-2.46pm	5.03
Canada	2.2805 - 2.2875	2.2865 - 2.2875	0.33-0.26cpm	1.56	0.71-0.57pm	1.12
Netherlands	3.2775 - 3.2915	3.2775 - 3.2875	1½-1⅜cpm	5.26	3½-3¼pm	4.11
Belgium	60.00 - 60.35	60.20 - 60.30	29-21cpm	4.98	64-57pm	4.02
Denmark	11.1740 - 11.2080	11.1850 - 11.1950	3⅝-3¼orepm	3.62	7½-6¾pm	2.55
Ireland	1.0845 - 1.1050	1.0900 - 1.0910	0.35-0.30cpm	3.58	0.87-0.74pm	2.95
Germany	2.9075 - 2.9190	2.9075 - 2.9125	1⅜-1¼pfpm	5.41	3¼-2⅞pm	4.12
Portugal	254.80 - 256.65	255.65 - 256.65	17-40cdis	−1.34	165-237dis	−3.14
Spain	184.30 - 185.50	184.75 - 185.05	20-25cdis	−1.46	54-68dis	−1.32
Italy	2184.10 - 2195.75	2187.50 - 2188.50	3-2lirepm	1.37	4-3pm	0.64
Norway	11.3780 - 11.4150	11.3850 - 11.3950	2½-2orepm	2.37	4⅝-3⅞pm	1.49
France	9.8180 - 9.8555	9.8200 - 9.8300	3½-3¼cpm	4.12	8¼-7⅞pm	3.28
Sweden	10.9060 - 10.9450	10.9175 - 10.9275	½-⅞oredis	−0.76	4¼-4¾dis	−1.65
Japan	250.10 - 251.25	250.25 - 251.25	1⅛-1¼ypm	5.68	3¼-2⅞pm	4.79
Austria	20.45 - 20.56	20.49 - 20.52	9-7¼gropm	4.90	21½-18½pm	3.86
Switzerland	2.4550 - 2.4665	2.4550 - 2.4650	1¼-1cpm	5.49	2¾-2⅝pm	4.37
Ecu	1.4135 - 1.4150	1.4140 - 1.4150	0.48-0.45cpm	3.94	1.08-1.03pm	2.98

Commercial rates taken towards the end of London trading. Six-month forward dollar 4.49-4.44cpm. 12 Month 7.85-7.75cpm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Nov 22	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.9645 - 1.9800	1.9685 - 1.9695	0.99-0.97cpm	5.97	2.49-2.46pm	5.03
Ireland†	1.8035 - 1.8100	1.8050 - 1.8060	0.37-0.32cdis	−2.29	1.05-0.95pm	2.22
Canada	1.1580 - 1.1610	1.1600 - 1.1610	0.42-0.44cdis	−4.45	1.12-1.17dis	−3.95
Netherlands	1.6655 - 1.6720	1.6665 - 1.6675	0.07-0.10cdis	−0.61	0.33-0.37dis	−0.84
Belgium	30.50 - 30.65	30.55 - 30.65	1.00-4.00dis	−0.98	[illegible]	[illegible]
Denmark	5.6800 - 5.6900	5.6800 - 5.6850	[illegible]	[illegible]	[illegible]	[illegible]
Germany	[illegible]	1.4775 - 1.4785	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	129.65 - 130.10	129.90 - 130.10	[illegible]	[illegible]	[illegible]	[illegible]
Spain	93.50 - 93.95	93.85 - 93.95	[illegible]	[illegible]	[illegible]	[illegible]
Italy	1110.00 - 1113.55	1111.00 - 1111.50	[illegible]	[illegible]	[illegible]	[illegible]
Norway	5.7770 - 5.7900	5.7825 - 5.7875	[illegible]	[illegible]	[illegible]	[illegible]
France	4.9800 - 4.9980	4.9875 - 4.9925	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	5.5370 - 5.5525	5.5450 - 5.5500	[illegible]	[illegible]	[illegible]	[illegible]
Japan	126.95 - 127.65	127.25 - 127.35	[illegible]	[illegible]	[illegible]	[illegible]
Austria	10.3900 - 10.4200	10.4150 - 10.4200	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland	1.2460 - 1.2510	1.2485 - 1.2495	[illegible]	[illegible]	[illegible]	[illegible]
Ecu	1.3920 - 1.3960	1.3925 - 1.3935	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Nov 22	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	14¼ - 14	14¼ - 14¼	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D-Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years 8¼-8⅛ per cent; three years 8½-8⅜ per cent; four years 8⅝-8½ per cent; five years 8¾-8⅝ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Nov 22	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.969	2.916	250.7	9.825	2.460	3.283	2188	2.287	60.25
$	0.508	1	1.478	127.3	4.990	1.249	1.667	1111	1.162	30.60
DM	0.344	0.677	1	86.15	3.376	0.845	1.128	751.9	0.786	20.70
YEN	3.989	7.854	11.61	1000.	39.19	9.813	13.09	8728	9.122	240.3
F Fr.	1.018	2.004	2.962	255.2	10.	2.504	3.340	2227	2.328	61.32
S Fr.	0.407	0.800	1.183	101.9	3.994	1	1.334	889.4	0.930	24.49
H Fl.	0.305	0.600	0.887	76.39	2.994	0.750	1	666.7	0.697	18.36
Lira	0.457	0.900	1.330	114.6	4.490	1.124	1.500	1000.	1.045	27.54
C $	0.437	0.861	1.272	109.6	4.296	1.076	1.435	956.7	1.	26.34
B Fr.	1.660	3.268	4.830	416.1	16.31	4.083	5.447	3632	3.796	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS £50,000 64ths of 100%

LIFFE US TREASURY BOND FUTURES OPTIONS \$100,000 64ths of 100%

LIFFE BUND FUTURES OPTIONS DM250,000 points of 100%

LIFFE EURODOLLAR OPTIONS

LIFFE EUROMARK OPTIONS DM1m points of 100%

LIFFE SHORT STERLING OPTIONS £500,000 points of 100%

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT £50,000 32nds of 100%

US TREASURY BONDS 8% \$100,000 32nds of 100%

6% NOTIONAL GERMAN GOVT. BOND DM250,000 100ths of 100%

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND Y100m 100ths of 100%

THREE MONTH STERLING £500,000 points of 100%

THREE MONTH EURODOLLAR \$1m points of 100%

THREE MONTH EUROMARK DM 1m points of 100%

THREE MONTH ECU ECU 1m points of 100%

FT-SE 100 INDEX £25 per full index point

POUND-\$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.9690	1.9592	1.9443	1.9244	1.8910

IMM-STERLING \$ per £

CHICAGO

U.S. TREASURY BONDS (CBT) 8% \$100,000 32nds of 100%

U.S. TREASURY BILLS (IMM) \$1m points of 100%

SWISS FRANC (IMM) SFr 125,000 \$ per SFr

JAPANESE YEN (IMM) Y12.5m \$ per Y100

DEUTSCHE MARK (IMM) DM125,000 \$ per DM

THREE-MONTH EURODOLLAR (IMM) \$1m points of 100%

STANDARD & POORS 500 INDEX \$500 times index

PHILADELPHIA SE £/\$ OPTIONS £31,250 (cents per £1)

10 YEAR 10% NOTIONAL FRENCH BOND (MATIF) FUTURES

OPTION ON LONG-TERM FRENCH BOND (MATIF)

THREE-MONTH PIBOR FUTURES (MATIF) (Paris interbank offered rate)

	Open	Close	Change	High	Low	Yield	Open int.
December	90.07	90.03	−0.03	90.08	90.02	9.97	17,887
March	90.16	90.13	−0.03	90.20	90.13	9.87	14,156
June	90.12	90.12	-	90.15	90.12	9.88	1,767
September	90.17	90.09	−0.03	90.17	90.09	9.90	1,352

Estimated volume 6,389 Total Open Interest 35,162

CAC-40 FUTURES (MATIF) Stock Index

	Open	Close	Change	High	Low	Open int.
November	1657.0	1651.5	+5.5	1664.5	1645.0	7,054
December	1664.0	1655.0	+2.0	1671.5	1653.5	2,239
January	1672.0	1665.0	+5.0	1674.0	1665.0	72
March	-	1687.0	-	1687.0	1687.0	0

Estimated volume 6,282 Total Open Interest 9,365

BASE LENDING RATES

	%
ABN Bank	14
Adam & Company	14
Allied Trust Bank	14
AIB Bank	14
● Henry Ansbacher	14
Associates Cap Corp	15½
● B & C Merchant Bank	14
Bank of Baroda	14
Banco Bilbao Vizcaya	14
Bank Credit & Comm	14
Bank of Cyprus	14
Bank of Ireland	14
Bank of India	14
Bank of Scotland	14
Banque Belge Ltd	14
Barclays Bank	14
Benchmark Bank	14
Brit Bk of Mid East	14
● Brown Shipley	14
CL Bank Nederland	14
● Charterhouse Bank	14
Citibank NA	14
City Merchants Bank	14
Clydesdale Bank	14
Comm. Bk. of London Plc	14
Co-operative Bank	*14
Coutts & Co	14
Cyprus Popular Bk	14
Dunbar Bank PLC	14
Duncan Lawrie	14
Equatorial Bank plc	14
Exeter Trust Ltd	14½
Financial & Gen. Bank	14
First National Bank Plc.	16
● Robert Fleming & Co.	14
Robert Fraser & Ptnrs.	14½
Girobank	14
● Guinness Mahon	14
HFC Bank plc	14
● Hambros Bank	14
Hampshire Trust Plc	14½
Heritable & Gen Inv Bnk.	14
● Hill Samuel	14
C. Hoare & Co.	14
Hongkong & Shangh	14
● Leopold Joseph & Sons	14
Lloyds Bank	14
Meghraj Bank Ltd	14
McDonnell Douglas Bnk.	14
Midland Bank	14
Mount Banking	14
Nat Bk. of Kuwait	15
NatWestminster	14
Northern Bank Ltd	14
Nykredit Mortgage Bank	14½
Provincial Bank PLC	15
Roxburghe Bank Ltd.	14½
Royal Bk of Scotland	14
Royal Trust Bank	14
● Smith & Williamson Secs.	14
Standard Chartered	14
TSB	14
Unibank plc	14
● United Bk of Kuwait	14
United Mizrahi Bank	14
Unity Trust Bank Plc	14
Western Trust	14
Westpac Bank Corp.	14
Whiteaway Laidlaw	14
Yorkshire Bank	14

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MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

MONEY MARKETS

A signal of caution

WHOLESALE INTEREST rates fell in London yesterday, despite a signal of caution from the Bank of England indicating that a change in UK bank base rates is not welcome at present.

The important three-month sterling interbank rate finished at a level discounting a cut of ½ point in base rates, as financial markets reacted to news of the UK prime minister's resignation. It hovered around 13½ per cent for most of the day, on hopes that the ruling Conservative party will re-unite to give a period of political stability, boosting the pound and creating conditions for lower base rates.

UK clearing bank base lending rate 14 per cent from October 8, 1990

Three-month funds closed at 13 7/16-13⅜ per cent, compared with 13⅝-13½ previously, while 12-month money declined to 12 11/16-12 9/16 from 12⅞-12¾ per cent.

December short sterling futures opened firmer on Liffe at 86.97 and fell initially on the resignation statement, but then moved up again as sterling strengthened, reaching a peak of 87.08. Slightly disappointing UK trade figures had little impact and by noon the contract was again trading at around 86.97. It closed at 86.94 against 86.88 on Wednesday.

A day-to-day credit shortage of £600m on the money market was initially forecast by the Bank of England. This was revised to £650m at noon and back to £600m in the afternoon.

Total help of £545m was provided, including lending £390m to the discount houses at the existing base rate level of 14 per cent. This was taken as an indication that the authorities want to keep base rates unchanged. Earlier in the day the Bank of England also bought £155m bank bills in band 1 at 13¾ per cent.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £549m, with a rise in the note circulation absorbing £90m, and bank balances below target £90m. These outweighed exchequer transactions adding £130m to liquidity.

In **Frankfurt** call money fell to 7.90 from 8.00 per cent as trading resumed after Wednesday's public holiday. Credit conditions were comfortable despite a drain of liquidity by the Bundesbank at this week's securities repurchase agreement tender. The central bank accepted bids of DM8.5bn for 35-day funds at a fixed rate of 8.00 per cent. This replaced an expiring facility of DM13.1bn.

FT LONDON INTERBANK FIXING

(11.00 a.m. Nov 22) 3 months US dollars: bid 8, offer 8¼ — 6 months US Dollars: bid 7⅞, offer 8

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for \$10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (4pm Nov 21) — Treasury Bills and Bonds

Prime rate	10	One month	6.76	Three year	7.64
Broker loan rate	9½	Two month	7.17	Four year	7.79
Fed. funds	7½	Three month	7.31	Five year	7.89
Fed. funds at intervention	7½	Six month	7.34	Seven year	8.15
		One year	7.27	10-year	8.27
		Two year	7.54	30-year	8.43

Nov 22	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	7.80-8.00	8.20-8.30	8.65-8.80	8.70-8.85	8.85-9.00	8.50
Paris	9 1/16-9 3/16	9½-9 11/16	9⅝-9¾	9¾-9⅞	9⅞-10	9.50
Zurich	7½-7⅝	8¼-8⅜	-	8⅝-8¾	-	-
Amsterdam	8.25-8.35	8.40-8.47	-	8.75-8.83	-	-
Tokyo	8¼-8⅜	8¼-8⅜	-	8 5/16-8 7/16	-	-
Milan	10¾-11	13¼-13⅝	-	13-13¼	-	-
Brussels	10.00	8 13/16-8 15/16	-	9 5/16-9 7/16	-	-
Dublin	10-10⅛	10 3/16-10 7/16	10½-10⅝	10 9/16-10 11/16	10¾-10⅞	-

LONDON MONEY RATES

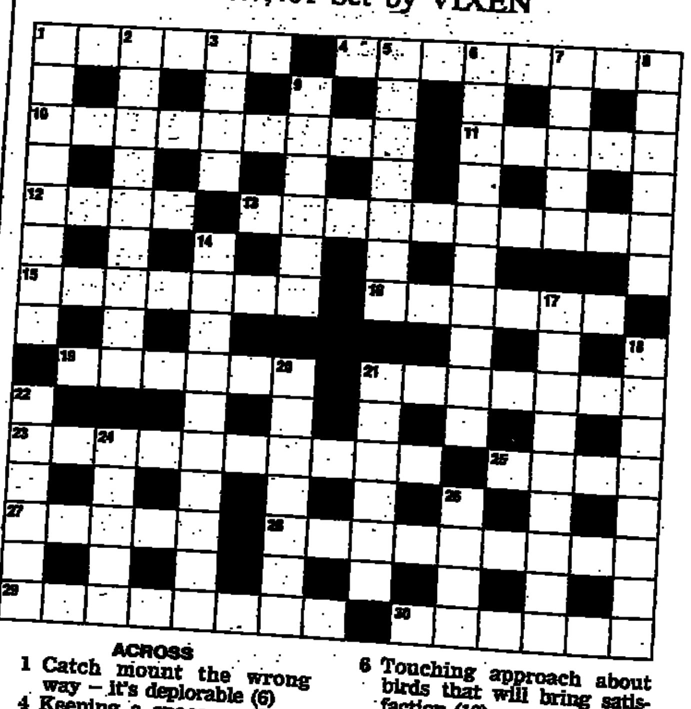
Nov 22	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	14½	14¼	13 13/16	13⅞	12⅞	12⅞
Interbank Bid	8	14	13 11/16	13⅜	12⅝	12⅝
Sterling CDs	-	-	14	13 7/16	12 13/16	12 9/16
Local Authority Deps.	14⅛	14⅛	14	13⅝	13 [illegible]	13½
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	14¼	14	13¾	13	-	-
Company Deposits	-	-	14⅛	13¾	13⅛	12 [illegible]
Finance House Deposits	-	-	14	13½	12 [illegible]	12 [illegible]
Treasury Bills (Buy)	-	-	13 [illegible]	13 [illegible]	-	-
Bank Bills (Buy)	-	-	13¾	13 [illegible]	12¼	-
Fine Trade Bills (Buy)	-	-	14⅛	13 [illegible]	12⅞	-
Dollar CDs	-	-	7.85	8.06	7.95	7.85
SDR Linked Dep. Offer	-	-	8⅞	9⅛	9 [illegible]	9 [illegible]
SDR Linked Dep. Bid	-	-	8¾	9	8 [illegible]	8 [illegible]
ECU Linked Dep. Offer	-	-	9 [illegible]	10⅛	10⅛	10⅛
ECU Linked Dep. Bid	-	-	9 [illegible]	10	10	10

Treasury Bills (sell): one-month 13 13/32 per cent; three months 12 31/32 per cent; six months 12⅞ per cent; Bank Bills (sell): one-month 13⅝ per cent; three months 13 per cent; Treasury Bills; Average tender rate of discount 13.0333 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day October 31, 1990. Agreed rates for period Nov 26, 1990 to Dec 25, 1990. Scheme I: 15.08 p.c., Schemes II & III: 15.32 p.c. Reference rate for period Sept 29, 1990 to Oct 31, 1990. Scheme IV&V: 14.164 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 15 from November 1, 1990. Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 10½ per cent; one-three months 12 per cent; three-six months 12 per cent; six-nine months 12 per cent; nine-twelve months 11½ per cent. Under £100,000 10½ per cent from Oct 8, 1989. Deposits withdrawn for cash 5 per cent.

JOTTER PAD

CROSSWORD

No.7,401 Set by VIXEN



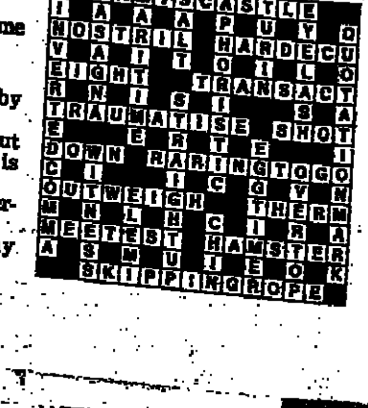
ACROSS

1 Catch mount the wrong way – it's deplorable (6)
4 Keeping a space available for posters (8)
10 Count the money and make cuts (9)
11 Material – material used in the church (5)
12 Running water in the home is an absolute essential (4)
13 Manual worker creating a mess? No, not here (10)
15 An actor would feed one into the boy wanting more (7)
16 This is a wrinkle for serving men involved in legal action (6)
19 Singer breaking rules (6)
21 Notice to keep (7)
23 Coppers surrounding the queen to a man show endurance (10)
25 Dye a duck's egg (4)
27 So long it takes to finish in gold! (5)
28 Well-formed girls' neat figures (9)
29 Place for drinking a lot on the Continental lines (8)
30 Support a beast with some hesitation (6)

DOWN

1 An account presented by Oriental characters (8)
2 There's some point about displeasure when fruit is served (9)
3 Move slowly, causing a certain irritation (4)
5 A nice little company maybe, but all at sea (7)
6 Touching approach about birds that will bring satisfaction (10)
7 Fancies a portion of insipid Eastern food (5)
8 He wrote "The Environment-friendly Way" (6)
9 End-of-term treat to be arranged – a thing of some consequence (6)
14 The one English monarch who didn't rule the waves! (4,6)
17 Foreigner harbouring a trainee killer (9)
18 He understands he'll get cash for his property (8)
20 "O ruddier than the cherry, O — than the berry" (Gay) (7)
21 A single plant or many kept out of sight (6)
22 Make a big thing of political leader being put in nick (6)
24 Reviles some fence (5)
26 Keen to wreck the joint (4)

Solution to Puzzle No.7,400



WORLD STOCK MARKETS

AUSTRIA | BELGIUM/LUXEMBOURG | DENMARK | FINLAND | FRANCE | FRANCE (continued) | GERMANY | GERMANY (continued) | ITALY | ITALY (continued) | NETHERLANDS | NORWAY | SPAIN | SWEDEN | SWITZERLAND | SOUTH AFRICA | JAPAN | AUSTRALIA | AUSTRALIA (continued) | HONG KONG | MALAYSIA | SINGAPORE

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CANADA

TORONTO

2pm prices November 22

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INDICES

NEW YORK

DOW JONES	Nov. 21	Nov 20	Nov. 19	Nov. 16	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
◆Industrials	2539.36	2530.20	2565.35	2550.25	2999.75 (16/7)	2365.10 (11/10)	2999.75 (16/7/90)	41.22 (2/7/32)
Home Bonds	90.10	90.21	90.15	89.95	93.04 (3/1)	88.44 (24/9)	—	—
Transport	849.85	853.00	867.79	864.46	1212.77 (6/6)	821.93 (17/10)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	208.69	207.05	208.69	208.25	236.23 (2/1)	190.96 (24/8)	236.23 (2/1/90)	10.50 (8/4/32)

◆Day's High 2552.23 (2574.50) Low 2502.72 (2524.01)

STANDARD AND POOR'S

	Nov. 21	Nov 20	Nov. 19	Nov. 16	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	316.03	315.31	319.34	317.12	368.95 (16/7)	295.46 (11/10)	368.95 (16/7/90)	4.40 (1/6/32)
Industrials	370.68	369.66	374.31	371.23	437.37 (16/7)	346.86 (11/10)	437.37 (16/7/90)	3.62 (21/6/32)
Financial	21.46	21.71	22.27	22.23	31.87 (3/1)	18.80 (29/10)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	172.73	172.48	174.34	173.30	201.13 (16/7)	162.20 (11/10)	201.13 (16/7/90)	4.46 (25/4/42)
Amex Mkt. Value	295.58	296.01	296.47	297.52	382.45 (5/1)	288.07 (30/10)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	348.77	348.29	352.73	350.86	469.60 (16/7)	325.44 (16/10)	485.73 (9/10/89)	54.87 (31/10/72)

	Nov. 16	Nov. 9	Nov. 2	year ago (approx.)
Dow Industrial Div. Yield	4.01	4.09	4.08	3.93
	Nov. 14	**Nov. 7**	**Oct. 31**	**year ago (approx.)**
S & P Industrial div. yield	3.39	3.55	3.54	2.97
S & P Indl. P/E ratio	15.47	14.48	14.43	14.25

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
Boeing	2,688,900	44¼	+ 1⅜
Nat. Semi	2,324,900	4⅛	+ ⅜
Fannie Mae	2,012,700	30⅝	- 1
C & S/Sovran	1,775,200	16⅝	- ⅜
Citicorp	1,539,300	12⅝	- ⅛
Texas Ut.	1,499,100	37⅞	+ ½
MCA	1,483,200	68½	+ 1¼
Am. Express	1,424,700	19⅜	- ⅜
Philip Morris	1,424,100	48⅜	+ ⅛
Lilly (Eli)	1,341,000	68½	+ 2½

TRADING ACTIVITY

† Volume Millions	Nov. 21	Nov. 20	Nov. 19
New York	140.660	161.170	140.950
Amex	11.860	10.455	8.841
NASDAQ	116.666	126.683	108.265
Issues Traded	1,969	1,997	1,991
Rises	709	508	896
Falls	740	1,028	615
Unchanged	520	461	480
New Highs	6	7	8
New Lows	55	53	44

CANADA TORONTO

	Nov. 21	Nov. 20	Nov. 19	Nov. 16	1990 HIGH	1990 LOW
Metals & Minerals	2556.58	2561.76	2571.69	2549.00	3453.05 (4/1)	2486.60 (8/11)
Composite	3103.10	3107.20	3132.99	3128.51	4009.47 (3/1)	3009.91 (16/10)
MONTREAL Portfolio	1659.03	1666.10	1677.48	1676.30	2060.90 (3/1)	1607.24 (16/10)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Nov. 22	Nov. 21	Nov. 20	Nov. 19	1990 HIGH	1990 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1368.6	1374.1	1365.5	1348.0	1713.7 (12/1)	1291.2 (2/11)
All Mining (1/1/80)	637.7	639.8	639.7	632.4	860.8 (5/1)	627.2 (2/11)
AUSTRIA						
Credit Aktien (30/12/84)	454.26	453.61	454.83	456.25	703.29 (19/3)	400.98 (25/9)
BELGIUM						
Brussels SE (Cash Mkt) (1/1/80)	5108.63	5096.37	5121.11	5082.58	6599.43 (12/1)	4959.99 (25/9)
DENMARK						
Copenhagen SE (3/1/83)	331.88	332.06	334.27	335.43	388.29 (20/7)	331.41 (27/9)
FINLAND						
Unitas General (1975)	410.5	409.5	410.2	409.3	677.3 (23/1)	398.9 (24/10)
FRANCE						
CAC General (31/12/82)	428.55	425.00	430.12	426.71	564.62 (30/5)	410.18 (26/9)
CAC 40 (31/12/87)	1639.68	1626.97	1633.15	1633.65	2129.32 (20/4)	1485.39 (25/9)
GERMANY						
FAZ Aktien (31/12/58)	646.55	(c)	633.04	633.40	832.32 (19/7)	569.69 (28/9)
Commerzbank (1/12/53)	1838.2	(c)	1798.2	1799.6	2414.0 (3/4)	1628.7 (28/9)
DAX (30/12/87)	1496.10	(c)	1467.30	1467.47	1968.55 (30/3)	1334.89 (28/9)
HONG KONG						
Hang Seng Bank (31/7/64)	3023.08	3013.66	3031.92	3042.58	3559.89 (23/7)	2738.24 (1/2)
IRELAND						
ISEQ Overall (4/1/88)	1225.39	1222.77	1233.11	1214.74	1893.10 (22/1)	1205.35 (16/11)
ITALY						
Banca Com. Ital. (1972)	517.50	(u)	(u)	(u)	763.52 (14/6)	517.50 (22/11)
JAPAN						
Nikkei (16/5/49)	23400.28	22816.99	23205.48	23518.16	38712.88 (4/1)	20221.86 (1/10)
Tokyo SE (Topix) (4/1/68)	1727.66	1688.53	1719.79	1740.06	2867.70 (4/1)	1523.43 (1/10)
2nd Section (4/1/68)	3024.50	3024.31	3079.06	3107.53	4477.16 (16/7)	2859.49 (1/10)
MALAYSIA						
KLSE Composite (4/4/86)	476.26	475.71	477.69	476.74	632.22 (1/8)	459.08 (28/9)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	228.3	229.1	229.2	227.4	271.9 (20/7)	225.6 (8/11)
CBS All Shr (End 1983)	167.3	167.9	168.0	166.7	206.3 (3/1)	165.6 (8/11)
NORWAY						
Oslo SE (Ind) (2/1/83)	664.15	653.46	667.15	666.56	915.13 (2/8)	653.46 (21/11)
PHILIPPINES						
Manila Comp (2/1/85)	653.75	663.89	677.30	651.63	1160.70 (21/3)	514.80 (5/10)
SINGAPORE						
SES All-Singapore (2/4/75)	313.36	311.49	312.26	312.36	446.87 (16/7)	301.45 (11/10)
SOUTH AFRICA						
JSE Gold (28/9/78)	1242.0§	1243.0	1274.0	1264.0	2230.0 (16/1)	1242.0 (22/11)
JSE Industrial (28/9/78)	2767.0§	2772.0	2777.0	2749.0	3211.0 (6/2)	2640.0 (1/10)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	679.83	671.70	674.25	680.04	928.82 (4/1)	566.27 (17/9)
SPAIN						
Madrid SE (30/12/85)	232.21	231.91	232.62	233.45	309.74 (16/7)	209.37 (28/9)
SWEDEN						
Affärsvärlden Gen. (1/2/37)	838.6	843.1	855.9	859.0	1329.9 (5/7)	838.6 (22/11)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	627.8	632.4	634.6	637.2	845.5 (13/7)	613.4 (28/9)
SBC General (1/4/87)	520.2	522.9	524.0	525.6	698.2 (13/7)	512.4 (28/9)
TAIWAN**						
Weighted Price (30/6/66)	4614.07	4349.69	4277.95	4250.88	12495.34 (10/2)	2560.47 (1/10)
THAILAND						
Bangkok SET (30/4/75)	642.28	643.86	652.72	658.25	1143.78 (25/7)	613.95 (25/9)
WORLD						
M.S. Capital Intl.(1/1/70) ($)	464.6*	460.6	461.4	466.3	571.0 (4/1)	423.1 (28/9)

**Saturday November 17: Taiwan Weighted Price: 4073.74 Korea Comp Ex. 691.98

§ Subject to official recalculation. *Calculated at 15.00 GMT.

Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Thursday 22 November 1990

	Stocks Traded	Closing Prices	Change on day
Nippon Steel	13.3m	398	+2
S'tomo Metal	7.9m	410	0
Kyosan Elec	7.0m	1,580	+10
NKK	6.9m	380	+15
Honshu Paper	5.3m	2,310	+30
Kobe Steel	5.2m	475	+20
Shinko Elec	4.9m	982	+12
Hitachi	3.9m	1,100	+40
M'bishi Heavy	3.9m	683	+16
M'bishi Estate	3.6m	1,250	+80

EUROPE

Bourses move on domestic considerations until Gulf worries intervene

CONTINENTAL equity strategists welcomed the implications of yesterday's big UK news – the sense that divisions in Europe may be healed, and that European Monetary Union is back on the rails – but they said, nevertheless, that bourses were domestically driven for most of yesterday, *writes Our Markets Staff*.

However, comments by US President George Bush, who called on Iraq to release all foreign hostages immediately, raised fears of war and tipped the late-closing bourses off their day's highs.

FRANKFURT continued its recovery after Wednesday's holiday with the FAZ index 13.51, or 2.1 per cent, higher at 646.55 at midsession. However, the DAX ran into resistance at 1,500 and closed the day 28.80, or 1.9 per cent, higher at 1,496.10.

Volume rose from a poorish DM4.7bn to a moderate DM6.4bn. There was some talk of dealers covering short positions ahead of the opening of DAX index futures on the Deutsche Terminbörse for the first time today; others said that the DAX was simply extending an almost unbroken run which has taken it up by 9.2 per cent since November 8.

Ms Barbara Altmann, a dealer with B Metzler in Frankfurt, noted that banks have had a particularly good run. Deutsche Bank's DM13.50 gain to DM626.50 yesterday giving it a 13 per cent improvement since November 8, and Commerzbank's DM5.50 to DM236.50 leaving it 15 per cent better over the same period.

Bull points for banks included the average bond yield, down by 15 basis points to 8.94 per cent in the space of a week, and anticipation of today's progress report from Commerzbank.

PARIS ended the monthly account with a modest rise, although the CAC 40 index closed below 1,647.76, its high for the day, at 1,639.68, up 12.71. Turnover was moderate at about FFr2.07bn at the close. Options-related trading caused artificial movements in some share prices.

Earnings forecasts stirred up activity; one of the biggest falls was in Rhône-Poulenc certificates, which dropped FFr19.10 or 8 per cent to FFr220.90 with 121,300 traded, after Chevreux, the Paris brokerage, downgraded its profits estimate.

Thomson-CSF slipped only 20 centimes to FFr102.30, but saw 257,900 shares traded after an analysts' meeting at which the defence group warned that turnover could fall by up to 20 per cent by 1993, although profits were likely to rise.

Nouvelles Galeries jumped FFr58 or 8.8 per cent to FFr715 after Proventus, the Swedish investment house, said that it had permission to buy up to 33 per cent of the French retailer's capital. It has just acquired a further 3.14 per cent, taking its stake to 23.1 per cent.

A block of 438,900 shares in Scoa, the trading group, priced at FFr15 each, gave it one of the day's biggest volumes at 587,100 shares. The stock fell FFr1.20 to FFr14.65.

AMSTERDAM lost its early gains, with the CBS Tendency index ending lower at 96.9, down 0.7, after touching 98.2. There was a sprinkling of corporate news: Amev, the insurer, was suspended at Fl 48, up Fl 1, before announcing a 7 per cent nine-month profits rise, while Pakhoed, the transport and storage company which forecast a profits increase of 32 per cent this year, slipped 50 cents to Fl 195.50 after a day's high of Fl 197.80.

VRG, the paper and printing company, rose 30 cents to Fl 62.70 after predicting a rise in profits of at least 20 per cent. Elsevier, the publisher, dropped Fl 2.90 to Fl 75.10 following Wednesday's news that it had sold its stake in Wolters-Kluwer.

MILAN was not improved by its enforced closure during the four-day dealers' strike. Volume stayed thin, sentiment remained bearish on the economy, and the Comit index eased a mere 1.11 to 517.50.

The resolution of the Enimont affair, which might have enlivened the day, found both Montedison and Enimont suspended – the latter at L985, compared with the L1,650 which Eni is now to pay to take full control of the company.

ZURICH saw late selling, and the Crédit Suisse index closed 2.1 lower at 465.5 in thin trading. Nestlé bearers fell another SFr150 to SFr7,310 on Wednesday's forecast of lower 1990 profits; and Brown Boveri fell to SFr4,060, down SFr230 since Monday, when analysts were returning from its US roadshow.

STOCKHOLM's Affärsvärlden General index made its fourth consecutive decline, 4.6 to another 1990 low of 838.5, as turnover rose from SKr140m to SKr161. The Riksbank's decision to lift its discount rate by half a percentage point to 11.5 per cent had little effect on prices.

OSLO's series of 1990 lows came to an end after the news that Norsk Hydro would develop a new North Sea oilfield. The all-share index rose 7.77 to 456.52 in turnover of NKr399m. Norsk Hydro gained NKr5 to NKr186.

COPENHAGEN's index recouped early losses to close 0.18 higher at 382.06; Prime Minister Poul Schlueter announced a general election for December 12. In **BRUSSELS**, Banque Bruxelles Lambert lost BFr40 to BFr2,450 after announcing a fall in annual net profits, while **ATHENS'** general index rose 27.99 or 3.2 per cent to 901.40.

Spain faces moment of truth about economy

Ana Pereda on prospects for growth and inflation

THE MERCURIAL performance of Spanish equities this year reflects an improving economy which was suddenly faced with a number of questions when Iraq invaded Kuwait in early August.

Spain is still expected to enjoy a higher rate of economic growth than most European countries, but a slower rate than in recent years. The Middle East crisis and the accompanying rise in crude oil prices have inevitably introduced an element of uncertainty, although both Spanish and foreign analysts remain relatively optimistic.

Concerns include increasing labour costs and higher inflation, the overall trade deficit and, perhaps in particular, the strength of the peseta. Recently disclosed 1991 budget proposals put the emphasis on austerity, with slower growth in public expenditure: this will be the first attempt at a planned reduction of state spending – growing less than gross domestic product in nominal terms – since the Socialist Party took power in 1982.

Mr Carlos Solchaga, the economics and finance minister, says that the need for a sharp adjustment is necessary for Madrid to remain competitive in a single European market. This, combined with Spain's membership of the exchange rate mechanism of the European Monetary System (EMS), makes it essential that unit wage costs and the external trading balance are brought closer to the European norm.

"We are at a decisive moment," says Mr Jose Luis Leal, president of the Spanish Private Banking Association. "When the Gulf crisis erupted, Spain had already taken steps to remove the extremes from its economic cycle, in particular to tackle inflationary pressures in the economy."

But, he says, there is no need for undue pessimism. Spain's gross domestic product grew 5 per cent in real terms in 1989: the government expects a rate of 3.5 per cent this year and 2.9 per cent in 1991.

Spanish inflation is running at an annualised rate of 7 per cent, and the government has a target of not more than 5 per cent for next year, although independent experts are doubtful if this can be achieved.

Spain, however, is not without experience of fighting inflation: the consumer price index (CPI) reached a record annual rate of 26 per cent back in 1977, but it was cut to 15 per cent the following year. Again, the CPI hit 14.5 per cent in 1982 but fell in subsequent years to 6.6 per cent last year, after a low of 4.9 per cent in 1988.

Foreign investment has been decisive in the recent development of the Spanish economy, and most local experts discount suggestions that this will be hit by the potentially competing attractions of emerging markets in eastern Europe. "The international investment world took at least 10 years to accept Spain as a safe investment location, following the collapse of the Franco regime, and anyway we do not see any great rush into eastern Europe," says one London-based Spanish expert.

The Spanish peseta's current strength within the EMS is one of the keys to attracting foreign capital to Spain. Mr Inigo Lecubarri, an analyst in the London office of Salomon Brothers who specialises in Spanish affairs, says: "When a foreign investor looks at Spain, the main point is the peseta, and we believe that the Spanish government is committed to keeping it strong."

A strong currency helps to control inflation and meet higher fuel costs, but it makes prices less competitive for exporters. The external trade deficit in the first nine months of this year was Pta2.49bn ($26.5bn) and showed no real improvement over the same period in the previous year.

The entry of sterling to full EMS membership, and in the same wide 6 per cent band as that enjoyed by Spain, has raised fears this could enhance the UK's position as a location for foreign investment capital, possibly at the expense of Spain. Mr Solchaga said recently that the challenge from Britain could become evident in a matter of months.

The ability of Spain to attract foreign investment owes much to the success of the major direct investments, especially since 1985, and the profitability that they have enjoyed. But today's reality is different. A recent Bank of Spain study is pessimistic: having noted a corporate sector pre-tax profit growth of more than 46 per cent in 1988, the Bank points to a mere 11.8 per cent last year and forecasts an even lower rate this year.

Escalating labour costs are the main reason for the flattening in profits, growing by about 13 per cent in 1989, after rising more than 10 per cent in 1988; the next round for collective wage agreements begins in January.

Unsurprisingly, the Spanish stock market has not escaped this gloom, and the Madrid general index declined by more than a fifth between the beginning of August and the end of October. The index closed yesterday at 232.21, up 0.3 points on the day but 22 per cent lower on the year to date.

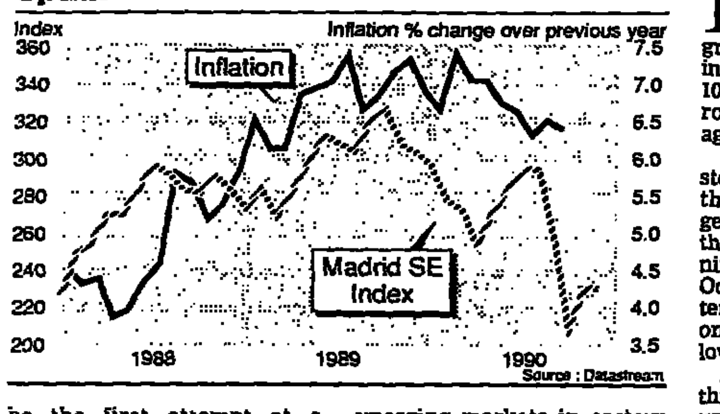
Many Madrid analysts say this sharp setback has thrown up selective buying opportunities – a view shared by a number of international securities houses, including Nomura, CS First Boston, Warburg Securities, UBS Phillips & Drew, Salomon Brothers and Goldman Sachs. Common to most of their buy recommendations are the Spanish banks, electric companies, constructions, foods and motorway operators.

As in Britain, a crucial factor for economic performance is the level of interest rates. Spain's tight monetary policy has led to a bank rate of 14.65 per cent, a significant attraction for capital inflows and support for the peseta, but of little value to most hard-pressed enterprises.

Spain's authorities, like the British, are insisting that interest rates will not be lowered until it is safe to do so – but both countries remain subject to internal political pressures.

Ana Pereda, currently on secondment to the Financial Times, is head of the financial section at Expansión, the Spanish business newspaper, in which the FT has a minority interest.

Spain



ASIA PACIFIC

Nikkei climbs on strength in bonds and yen

Tokyo

EQUITIES ROSE for the first time in three days yesterday, responding to higher bond prices and the stronger yen. The Nikkei average gained 583.29 to 23,400.28, on bargain-hunting by dealers during the afternoon session, *writes Emiko Terazono in Tokyo.*

The 225-issue average opened at 22,831.44, the day's low, and closed at the high as index-related trading triggered arbitrage buying. Volume remained a sluggish 360m shares ahead of the holiday weekend starting today.

Gains led losses by 816 to 177 with 109 unchanged. The Topix index of all first section stocks closed up 39.13 at 1,727.66 and, in London, the ISE/Nikkei 50 index rose 2.96 to 1,301.96.

There was surprise at the Nikkei's resilience, as the expiry of margin contracts yesterday had been depressing the market for the previous few days. Index-related buying helped the market.

Mr Christopher Leighton at Schroder Securities said that, in thin volume, the market needed only a slight change of sentiment and one or two big buyers to change direction. "The overall picture is that the market is trapped in the 23,000 to 25,000 range," he added.

Large-capital stocks, which had shown considerable weakness recently, gained on hopes for lower interest rates based on the strength of the yen and lower yields on the benchmark 119 bond. Nippon Steel, the most active issue on the day, gained Y2 to Y398 and Mitsubishi Heavy added Y15 to Y663.

Electricals, which had been hitting year's lows, also recovered. Sony, which lost Y260 on Wednesday, gained Y270 to Y5,770. Its interim results, showing record profits, contributed to the rise. NEC rose Y20 to Y1,290 and TDK added Y70 to Y4,230.

NTT recouped some of the previous day's losses, closing up Y34,000 at Y980,000. It had weakened on an announcement that the government would sell 5m shares in the company over the next seven years.

Some speculative issues lost ground as interest moved to leading blue chips. Kitagawa Iron Works, which was actively traded on Wednesday on upward revisions of its business estimates for the fiscal year, fell Y40 to Y1,100.

Apparel makers, which had been falling because of weak winter clothing sales thanks to the warm weather, firmed after a sudden spell of cold winds throughout the country. D'Urban gained Y10 to Y765.

The Tokyo Stock Exchange suspended trading in Meiwa Trading, a middle ranking trading company of the Mitsubishi Group which has been hurt by payment delays from Cuba. The step was taken to allow investors to confirm a news report that three Mitsubishi group companies would support it financially.

In Osaka, trading remained thin at 41.6m shares, down from 46.9m. Nintendo, which lost Y800 the previous day, rebounded, closing up Y500 at Y24,000. Investors were encouraged by buoyant sales of the company's new family computers, released on Wednesday. The OSE average closed at 26,520.75, up 315.12.

Roundup

OTHER Pacific Basin markets were mixed and, Hong Kong apart, seemed oblivious to events taking place elsewhere.

Hong Kong hosts the Peking-funded China News Service, which said yesterday that Peking would open up stock trading next year. Shanghai, Canton and the Shenzhen Special Economic Zone bordering Hong Kong have active stock markets, established as part of China's open door economic policy.

TAIWAN jumped 6.1 per cent, lifted by gains in the financial sector. The weighted index rose 264.38 to 4,614.07 in heavy turnover of T$77.3bn, up from T$71.4bn. Good export and industrial production statistics were the driving force behind the gains.

BANGKOK declined sharply in early trade, but ended mixed on assurances that Mr Chatichai Choonhavan, the prime minister, is not resigning. The SET index closed 1.38 lower at 642.48 in thin trade after an earlier drop of 11 points.

A subsequent cabinet reshuffle did not seem to placate the army, with which Mr Chatichai has had a long-running struggle.

AUSTRALIA declined for the first time this week, the All Ordinaries index losing 5.4 to 1,368.6. Turnover fell from A$263m to A$198m.

News Corporation dropped 6 cents to A$6.40 after Moody's Investors Service downgraded the long-term debt of the company's guaranteed subsidiaries.

In banking, ANZ fell 9 cents to A$5.85 in 3.62m shares, on fears that it will cut its dividend next week. Westpac fell 2 cents to A$4.23; the bank employees' union has sued the bank in an attempt to force it to return A$300m to its staff pension fund.

NEW ZEALAND's four-day rally ended, with the Barclays index falling 10.96 to 1,297.88 in thin trading. A rise in the local dollar against the Australian currency led to profit-taking, especially in stocks also listed in Australia.

HONG KONG rose but ended below its highs as investors squared positions before holidays in the US and Japan. The Hang Seng index rose 9.42 to 3,023.08 in turnover down from HK$786m to HK$683m.

Hutchison Whampoa, with its planned satellite TV service, continued to benefit from the failure of the local cable-TV franchise, rising 10 cents to HK$11.90 in the day's most active trading.

SEOUL rose mainly on a technical rebound after seven successive days of decline, the composite index closing 8.13 higher at 679.83 on turnover which was much higher, but still moderate at Won217.2bn against Won125.9bn on Wednesday.

SINGAPORE's Straits Times Industrial index rose 0.59 to 1,127.57 in turnover of S$74m, up from S$63m. UIC was the most traded stock with 12.38m shares changing hands; it gained 4 cents to S$1.32 on rumours of a takeover bid.

KUALA LUMPUR ended mixed after a cautious session, with the composite index up 0.55 at 476.26. Kimara Securities, the stockbroker listed yesterday, was the most active issue with 3.1m shares exchanged, closing at M$2.48 compared with an opening price of M$3 and an offer price of M$2.

BOMBAY took another tumble, the BSE index shedding 23.24, or 1.8 per cent to 1,241.95 on the perceived quality of Prime Minister Chandra Shekhar's new cabinet after a 4.2 per cent fall on Wednesday. Brokers said that active buying by state-owned mutual funds had prevented a collapse.

AMERICA

US holiday subdues Toronto

TORONTO was little changed in slow midday trading yesterday, as the closure of Wall Street for Thanksgiving Day kept interest low. One of the few items of news was a cut by the Bank of Montreal in its prime rate to 13.25 per cent. The composite index lost 2.2 to 3,101.1 on volume of 5.5m shares. Declines led advances by 165 to 163.

Gold shares slipped slightly, in spite of unchanged London bullion prices. Among gold shares, Placer Dome slipped C$¼ to C$16¾, Teck class B lost C$¼ to C$20¼ and Corona class A fell C$⅛ to C$5.

SOUTH AFRICA

SUPPORT as the market approached its lows helped Johannesburg shares to end steadily in spite of renewed pressure from a higher financial rand. The all-gold index eased 1 point to 1,242, as Vaal Reefs shed R3 to R215.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY NOVEMBER 21 1990								TUESDAY NOVEMBER 20 1990					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1990 High	1990 Low	Year ago (approx)
Australia (76)	125.41	−0.2	94.45	101.15	96.60	108.94	+0.6	7.32	125.67	94.58	102.40	96.51	108.33	158.31	118.98	146.15
Austria (19)	200.31	+0.4	150.86	161.57	154.28	153.68	+0.4	1.78	199.48	150.12	162.54	153.18	153.08	285.63	178.57	144.46
Belgium (61)	139.03	−0.6	104.71	112.13	107.08	104.57	−0.6	5.54	139.89	105.28	113.97	107.42	105.22	160.02	126.67	145.90
Canada (120)	124.72	−0.1	93.93	100.59	96.06	104.63	−0.2	3.84	124.85	93.96	101.72	95.87	104.83	153.61	121.24	148.29
Denmark (33)	252.41	−0.4	190.10	203.59	194.41	194.73	−0.3	1.52	253.48	190.76	206.54	194.64	195.30	277.62	234.05	228.07
Finland (25)	103.93	−0.9	78.27	83.83	80.05	77.37	−1.0	3.94	104.92	78.96	85.49	80.57	78.18	152.29	98.91	118.67
France (122)	139.84	−0.7	105.32	112.79	107.70	109.68	−0.4	3.78	140.83	105.99	114.74	108.13	110.07	168.85	124.98	134.95
Germany (91)	118.74	−0.3	89.43	95.79	91.46	91.46	+0.0	2.49	119.10	89.63	97.06	91.46	91.46	144.63	101.38	99.77
Hong Kong (48)	123.08	−0.5	92.70	99.27	94.81	123.02	−0.5	5.38	123.68	93.08	100.77	94.98	123.67	147.49	112.24	119.02
Ireland (17)	153.36	−1.2	115.51	123.70	118.12	119.42	−1.0	4.38	155.20	116.80	126.46	119.18	120.66	198.57	139.04	160.59
Italy (91)	79.48	−0.2	59.86	64.10	61.21	66.06	+0.0	3.72	79.62	59.92	64.87	61.14	66.06	109.26	79.41	90.92
Japan (454)	125.99	−0.6	94.89	101.62	97.05	101.62	−1.6	0.84	126.76	95.40	103.28	97.35	103.28	197.26	106.58	188.29
Malaysia (35)	195.88	−0.3	147.53	157.98	150.87	202.18	−0.7	3.33	196.51	147.89	160.11	150.90	203.51	250.89	182.96	198.98
Mexico (12)	556.71	+0.0	419.29	449.03	428.79	1789.50	+0.0	0.38	556.71	418.97	453.60	427.49	1789.50	561.41	324.53	288.13
Netherland (41)	134.60	−0.4	101.38	108.57	103.68	102.63	−0.1	5.24	135.19	101.74	110.15	103.81	102.74	149.03	127.56	127.59
New Zealand (16)	49.97	+0.7	37.64	40.31	38.49	43.31	+0.8	7.76	49.61	37.33	40.42	38.09	42.95	75.36	47.90	74.41
Norway (27)	210.46	−1.8	158.51	169.75	162.11	164.90	−2.1	1.87	214.22	161.21	174.55	164.50	168.35	276.79	202.34	170.08
Singapore (25)	155.62	−0.4	117.21	125.52	119.86	122.88	−0.1	3.59	156.22	117.57	127.29	119.96	123.00	209.24	147.24	160.79
South Africa (60)	172.14	+0.8	129.65	138.84	132.58	130.65	−0.9	4.18	170.70	128.46	139.08	131.07	131.84	251.39	151.50	170.15
Spain (42)	148.28	−0.5	111.68	119.60	114.21	105.42	−0.4	5.27	149.06	112.18	121.46	114.46	105.87	182.25	128.54	155.48
Sweden (27)	161.59	−1.4	121.70	130.34	124.46	132.47	−1.5	3.07	163.85	123.31	133.51	125.82	134.44	234.93	158.07	161.01
Switzerland (68)	91.33	−0.7	68.78	73.67	70.35	70.86	−0.3	2.97	91.96	69.21	74.93	70.62	71.09	109.77	85.00	87.53
United Kingdom (298)	167.32	+0.4	126.02	134.94	128.86	126.02	+0.5	5.50	166.60	125.38	135.73	127.92	125.38	176.18	139.87	140.19
USA (533)	127.55	+0.2	96.07	102.89	98.25	127.55	+0.2	3.87	127.28	95.79	103.72	97.75	127.28	148.95	119.06	138.83
Europe (962)	138.51	−0.1	104.32	111.72	106.69	105.72	+0.1	4.39	138.66	104.35	112.98	106.48	105.65	157.65	124.91	124.97
Nordic (112)	175.40	−1.0	132.10	141.48	135.10	133.85	−1.0	2.26	177.16	133.33	144.35	136.04	135.22	223.29	172.38	165.42
Pacific Basin (654)	125.56	−0.6	94.57	101.28	96.72	102.27	−1.5	1.24	126.30	95.05	102.91	96.99	103.81	192.75	107.82	183.93
Euro – Pacific (1616)	131.18	−0.4	98.80	105.80	101.04	104.51	−0.8	2.60	131.68	99.10	107.29	101.11	105.37	174.18	116.03	160.42
North America (653)	127.29	+0.2	95.87	102.68	98.06	126.04	+0.2	3.87	127.05	95.61	103.53	97.58	125.81	148.43	119.26	139.30
Europe Ex. UK (664)	120.67	−0.5	90.88	97.35	92.96	93.74	−0.2	3.56	121.28	91.27	98.84	93.15	93.97	145.62	109.94	114.57
Pacific Ex. Japan (200)	119.86	−0.3	90.27	96.69	92.33	107.17	+0.1	6.24	120.19	90.46	97.95	92.31	107.05	146.72	116.03	131.54
World Ex. US (1808)	131.81	−0.4	99.12	106.16	101.37	105.21	−0.8	2.65	132.08	99.40	107.63	101.43	105.05	173.77	117.12	160.17
World Ex. UK (2043)	125.45	−0.2	94.48	101.19	96.64	110.71	−0.6	2.75	125.75	94.64	102.47	96.58	111.36	162.00	115.37	152.63
World Ex. So. Af. (2281)	128.91	−0.2	97.09	103.99	99.30	112.10	−0.5	3.06	129.13	97.18	105.23	99.17	112.61	161.84	118.04	151.38
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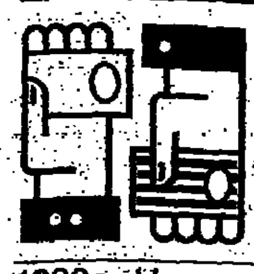
The World Index (2341)	129.17	−0.2	97.29	104.19	99.50	112.23	−0.5	3.07	129.38	97.37	105.42	99.36	112.75	162.05	118.33	151.50

Latest prices were unavailable for this edition.
Constituent change (22/11/90): Name change: Metropolitana Inmobiliaria to Metrovacesa (Spain).
Italian prices were not updated 21/11.
Markets closed: Nov. 20: Mexico. Nov. 21: Germany.

PROPERTY INVESTMENT & FINANCE



The property sector offered some rich opportunities to the banks in the heady years of the late 1980s. However, the consequences of that bonanza are seen differently in a property market beset by surplus space and falling capital values. **Vanessa Houlder** reports

Feeling the lending pinch

IT seemed like a good idea at the time. Back in the heady years of the late 1980s, an apparently secure and fast-growing property sector offered rich opportunities to the banks, which responded with billions of pounds of loans.

But in a year when the property market is beset by surplus space and falling capital values, the consequences of that bonanza are seen rather differently.

At best, the depression will be short-lived and confined to certain parts of the market, while the banks use their ingenuity to unwind some of the £37.2bn of property loans. At worst, the losses will be so high as to lead to a crisis of confidence among the banks.

The problem is that much of the lending to speculative property developers in the late 1980s was underpinned by a belief that the pension funds and life companies would buy the completed properties. With hindsight, that was a rash assumption. At the current rate of investment, it will take the institutions 15 years to absorb the property financed by bank lending.

Far from developing an appetite for the new property, the institutions became increasingly disillusioned with property during the 1980s. The apparent conquest of inflation, the perceived need for short-term returns and the increasing importance of overseas equities resulted in a sea-change in attitudes towards property. The proportion of institutional assets tied up in property tumbled from 20 per cent to 11 per cent over the decade. The unpopularity of property was reflected in an increase in yields until they reached an all-time high this August of 8.7 per cent, according to the Hillier Parker Investors Chronicle index.

Opinions differ sharply on the institutions' likely spending pattern this decade. The gloomiest picture is painted by those who believe that lessening tenant demand and oversupply have virtually removed the prospect of rental growth from property markets for the time being. As a result, they reason, the institutions will not return to the market until property yields have risen to match the cost of long-term money. Property investment would once again be self-financing, as it was in the 1960s.

The result could be catastrophic. Property values would fall by between a quarter and a third, triggering a need for wholesale refinancing by even the most secure investment companies. This could in turn precipitate a severe financial crisis.

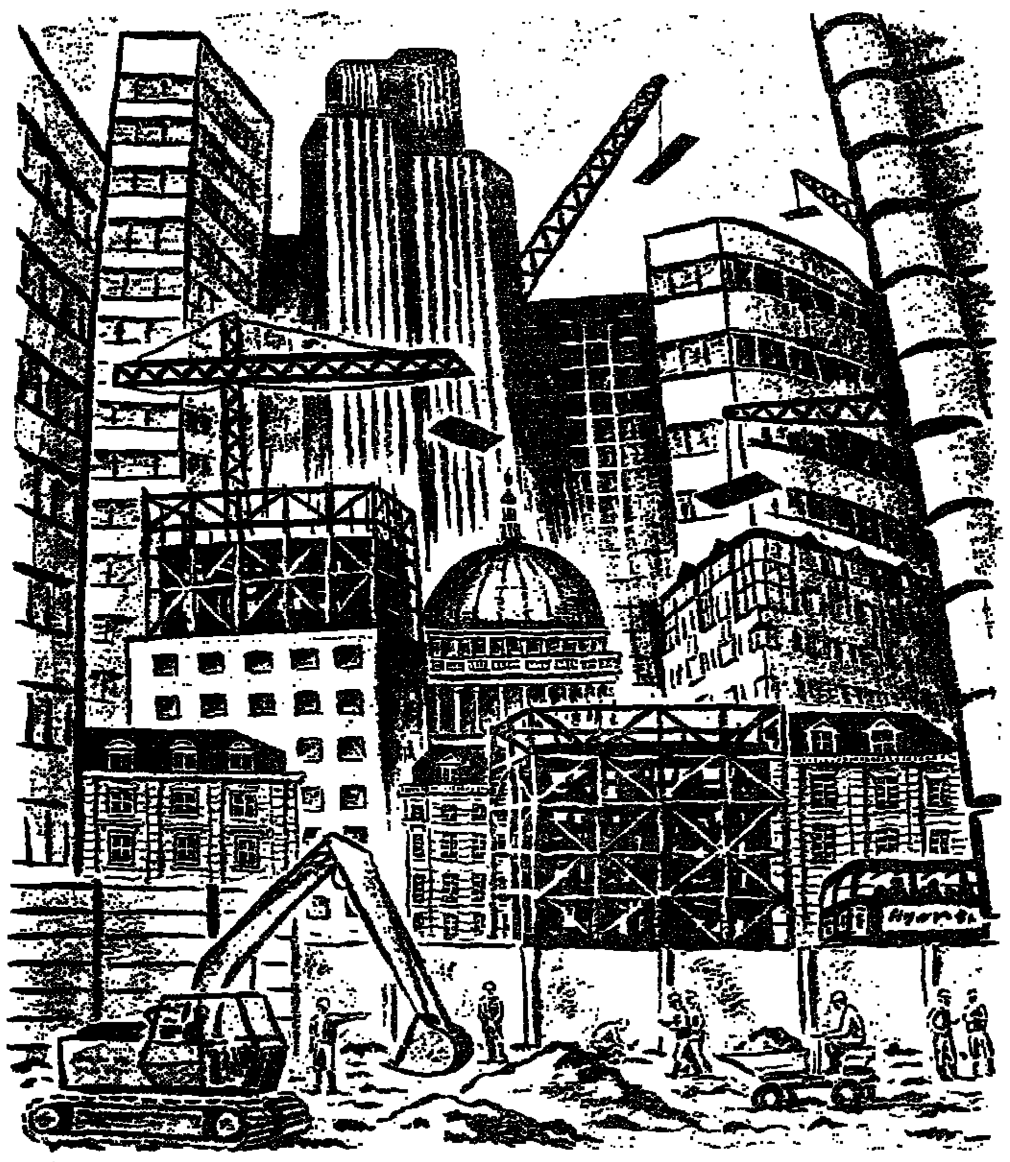
However, this outcome is highly improbable. Yields are likely to peak well below the cost of money, because the prospects for rental growth have far from vanished. The 1990s may well be dogged by inflation, at a time when new development activity has been cut back and more stringent planning controls are likely to be applied. In addition, lowering interest rates may stimulate tenant demand. Moreover, the liquidity in the market may improve. The London Futures and Options Exchange is proposing to introduce a property futures contract which may be used to hedge property trading risk.

Furthermore, some of the property overhanging the market may be taken up by foreign investors, who have been attracted by London's financial pre-eminence and the security of the UK's lease structure.

Foreign investment, mainly in London office property, has risen from £400m in 1987 to £3bn in 1989. The most prominent have been the Japanese life companies which have bought high profile "trophy" buildings in top class locations in the City and West End. September's £220m acquisition of half of J.P. Morgan's new headquarters in the Embankment by Sumitomo is the most recent example. Also at the forefront were Swedish investors, following a relaxation of the rules prohibiting overseas investments.

But many analysts are convinced that overseas investment is weakening. Particular attention is focused on the developers and construction companies that are financed by short-term debt. In addition to the strain inflicted by the rise in interest rates, they – and their bankers – may be deterred by the experience of book losses in the UK.

The scale of these problems was recently brought home to the Swedish market when Nyckeln, a finance company went into administration, after large losses from its property lending in the UK.



But even if overseas and domestic investment continues at last year's rate, there is still a wide gap between the property on the market and the available funds. If speculative development is estimated to account for a third of bank lending, some £9bn of new property is being supplied to the market – twice as much as investors absorbed last year.

This spells disaster for some developers and in particular, those which worked on over-optimistic assumptions about rents and sale prices and who found their margins squeezed by the increase in interest rates. Those that cannot rent their buildings are in worse trouble.

These problems are exacerbated by the extensive use of off-balance sheet financing, which totalled nearly £4.4bn between 1985 and 1989, according to Savills, the surveyors. Off balance sheet financing, taken together with non-recourse loans – whereby the loan is made on the security of the property – has led to over-trading and insolvency of a number of companies, such as Rush & Tompkins, which collapsed in April with total loans and guarantee obligations of over £300m.

Inevitably, these problems will be transmitted to the banks, which can be expected to announce another round of increased provisions and write-offs in the next results season. The IBCA, a credit rating agency, has calculated that the UK clearing banks will lose £750m on doubtful property loans over the next two years, according to the credit ratings agency IBCA. The position is worse, it says, for non-clearing banks which have lower quality credit and which have expanded their property exposure even faster than the clearers.

What is less clear is how aggressive a stance the banks will take when it comes to putting more companies into receivership. Fears that the banks will pull the rug out are heightened by the international nature of the lending at a time when almost every large property market round the world has problems. However, their hand may be stayed by the difficulty of selling property in the current market. Rather than forcing sales, the banks are increasingly prepared to transmute development loans into investment loans where the sums add up.

Other long-term financing solutions are starting to emerge, although some will need a drop in interest rates before they become viable. Zero-coupon, deep discount and stepped-interest bonds may provide one route, as the payback to the lender takes place toward the end of the life of the borrowing.

The convertible mortgage – where lenders are offered either a lump sum or a slice of equity in the property in return for low initial interest – may also have potential. It was used by Credit Suisse First Boston which rently launched a £100m convertible mortgage to finance Stanhope's ITN headquarters in Grays Inn Road.

The fledgling UK commercial property securitisation market may also have possibilities. In September, BHH, a UK property investment group launched a pioneering £90m floating-rate note issue that was secured by mortgages on 33 of its properties.

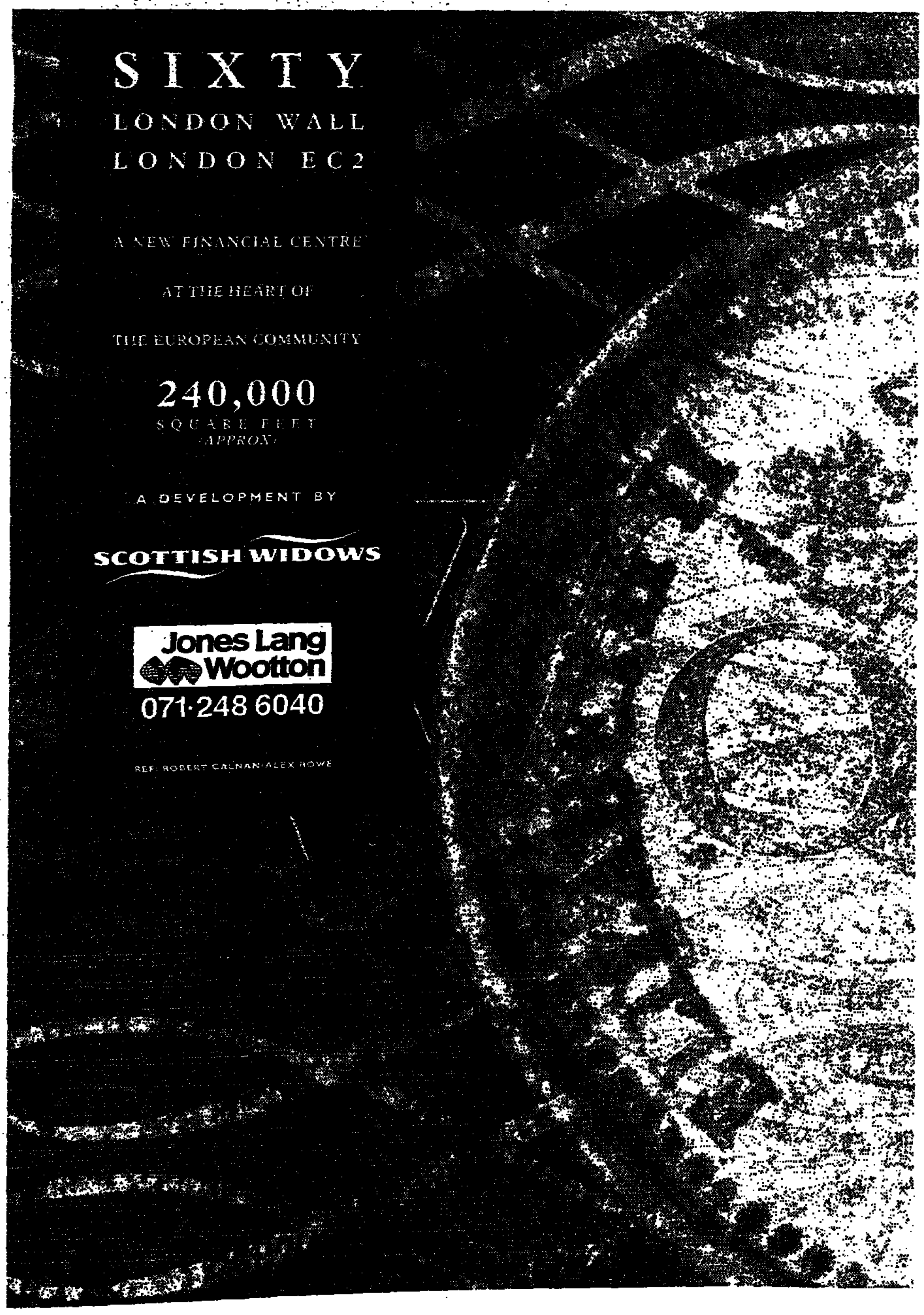
Meanwhile, obtaining a new loan is still possible, but difficult. Mr Rupert Clarke, director of Woolgate Property Finance, part of de Morgan Group, estimates that at least three-quarters of the 150-plus banks which were in the property finance market have withdrawn from development finance and most of the others are only lending to the very developers. Loans to cost value have fallen to about 65 per cent, he says.

In this way, the problems of the last generation of property loans will cast their shadow over the next phase of development. Just as cleaning up after the excesses of the early 1970s took half a decade, the consequences of the overlending of the late 1980s may take years to unwind.

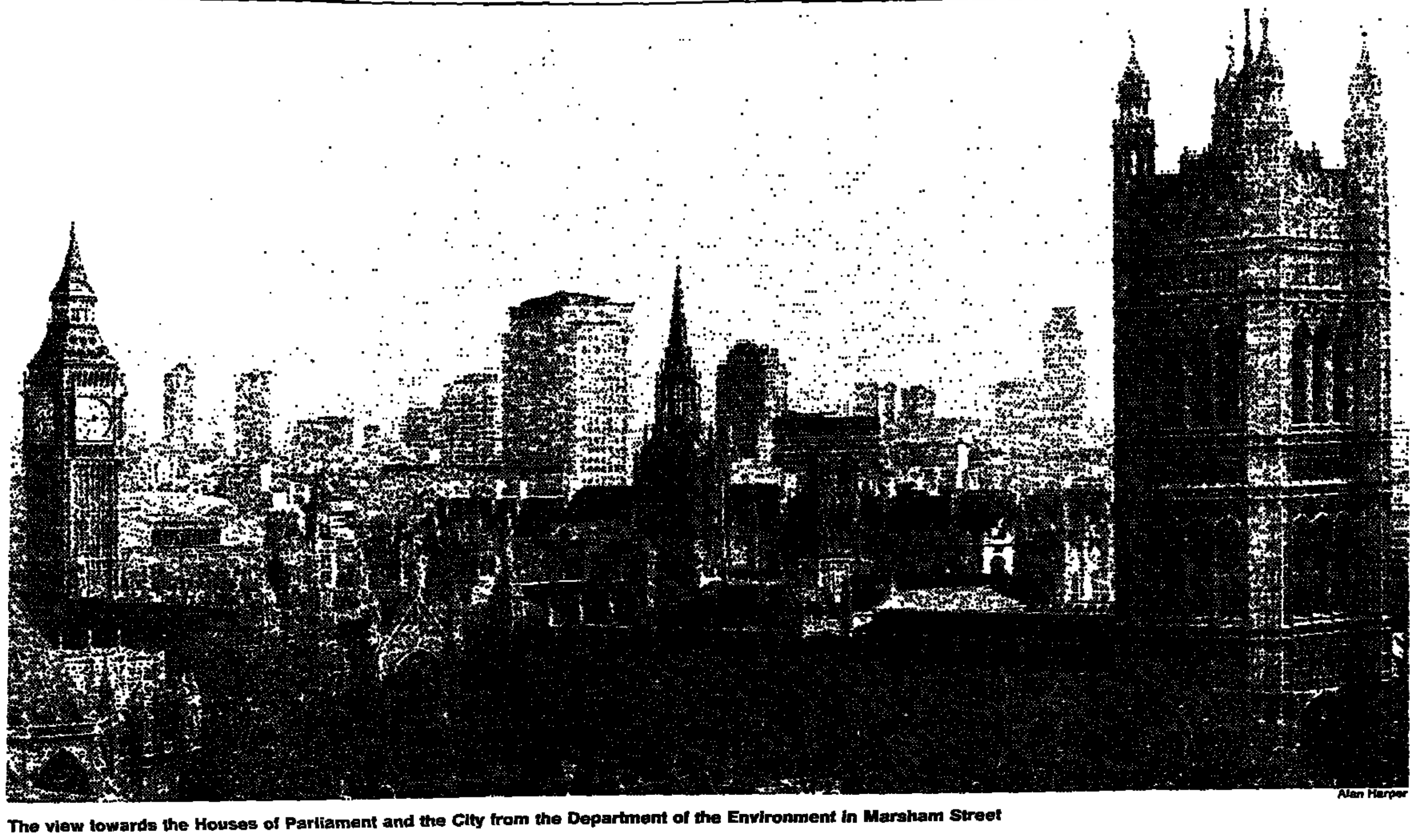
IN THIS SURVEY

The City at Mansion House

Editorial production:
Phillip Halliday



PROPERTY INVESTMENT & FINANCE 2



Alan Harper

The view towards the Houses of Parliament and the City from the Department of the Environment in Marsham Street

Anne Steadman assesses the evolution of new lending instruments

No shortage of innovative thoughts

TOTAL bank lending to property stands at over £37bn and that figure could be increased to some £55bn if future commitments are included. Many bank lenders, particularly the providers of development finance are casting anxious eyes over their loan portfolios. Not a few are talking to receivers or administrators.

More than 40 per cent of the total debt is to UK retail banks and more than half to all UK lending sources. But there are plenty of foreign lenders. A lot of them entered the market when the development party was in full swing and some are nursing nasty hangovers or at least mild headaches.

Continuing high interest rates, falling rental expectations and rising yields have combined to make nonsense of even some of the more conservatively prepared development appraisals and have created gaping reverse yield gaps. But in spite of the depressed state of the property market it is still possible to find the finance for the right property at the right price.

Many of the larger property companies – and smaller sound ones – are in the fortunate position of not only having large rent rolls, but also good relationships with their bankers and lines of finance in place. Often these take the form of Multi- Option Financial Facilities (MOFFS) which may be drawn down against as required and are not specifically tied to any property or purpose. Most are capped and/or collared so that though floating, there is a ceiling and/or floor through which the interest rate may not go, cutting the risk for both borrower and lender.

In spite of the depressed market it is still possible to find the finance for the right property at the right price

Although cautious and highly selective some of the banks such as Charterhouse, which avoided Docklands, large-scale shopping developments and other disaster areas, are still prepared to provide finance for investment properties. However, in current market conditions, few are prepared to lend more than two-thirds of the valuation. The buyer will have to show that the income received from the property will cover interest payments – or that it will do within, say, 12 to 18 months.

A buyer may be able to borrow more from the banks if an insurance policy covers the "top slice" – or the difference between, say 65 per cent and the 85 per cent that is needed. This type of insurance has been used in the residential mortgage market for many years. Willis Faber is the leader in the commercial field following Eagle Star's pull-out in September. An alternative to covering the top slice is to insure the whole loan on a "ground up" basis.

It is the problem of finding long-term financing where there is an initial mismatch between income from the property and interest payments that has been exercising the minds of the banking financial engineers. And they have been coming up with some innovative ways of providing finance where interest payments are in line with the projected income of the property. Various issues of deep discount such as zero coupon and stepped interest bonds, provide good examples.

The most often cited is that of Speyhawk's Kings Cross House where the property was sold to a vehicle company which then sold bonds to the value of more than the property to investors in the Asia Pacific region. An additional £5m in the form of a subordinated loan was put in by Speyhawk to help cover the initial shortfall of income. Another example is that of Greycoat's Lutyens House which was financed by stepped interest bonds with the existing value of the building covering the redemption value of the borrowing. The increasing interest may be met from any of Greycoat's resources – with no assumptions on rising rental income from the building.

That bond issues such as these were successful points to the fact that the products were first class. The Eurobond market, says Mr Martin Francis of Weatherall Green and Smith is stretched. Mr Rupert Bruce of Woolgate Property Finance says there is, in this market, a growing suspicion of paper.

There is much talk of growth in the use of convertible mortgages, mainly among the US banks. But UK observers are sceptical. The convertible mortgage – which offers the lender low initial interest payments in return for a choice of his money back at the end of the term plus a lump sum to compensate for the lower interest or alternatively his money back and a slice of the equity in the property – is a regularly used device in the US where a dozen or so high value buildings have been financed in this way. Park Avenue Plaza, the headquarters of First Boston, is an example. Credit Suisse First Boston recently launched a £100m convertible mortgage to finance Stanhope's TN headquarters in Grays Inn Road. Its progress is being watched with interest.

Other forms of financing where interest payments are low are also possible such as plans where interest is deferred and added to the debt and is payable at a later date when income from the property makes this possible.

Currency hedged packages may also be used. In the case of Bush House, £100m was raised for Kato Chemical, a Japanese company, through a limited resource, dual yen/sterling loan with interest tied to a formula calculated on the yen/sterling exchange rate. Sterling's appreciation since has proved very favourable to the lender. But even with the UK's entry into the exchange rate mechanism, currency swaps can mean risks. Mr Nicholas Benes at J.P. Morgan considers that putting together the financial package is one thing but the issue of whether to use foreign currencies or not is a separate item.

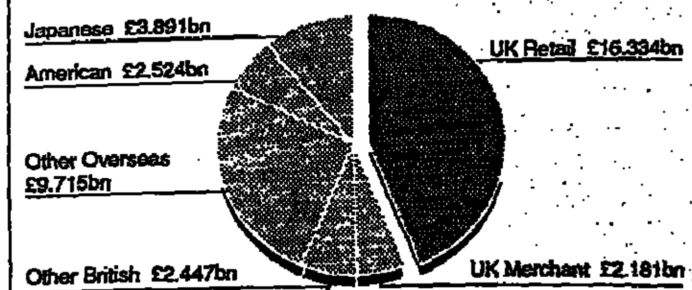
The investor's view of property is changing as UK financiers increasingly tap into global capital markets. Property is becoming more likely to be assessed and valued as an income stream rather than simply bricks and mortar. This is because the dividing line between straightforward property funding and corporate finance has become increasingly thin. Many non-property companies are finding ways of using their property assets to provide corporate finance. There have been several examples of companies hiving off properties into separate off balance sheet companies and then leasing them back, often providing rental guarantees.

Mr Adrian Wyatt of Jones Lang Wootton says that there is certainly no shortage of innovative ideas to provide the cash for all kinds of purposes – from raising money for a specific project or just to pretty up a balance sheet. But there is, he adds, a shortage of the right product at the right price and, however clever, no amount of financial engineering can "make a silk purse out of a sow's ear".

Savills the surveyors, notes in its Financing Property report, that in this tighter lending market the trend has moved away from the "fancier" financing arrangements back to more old-fashioned banking styles.

There are fewer better techniques for raising fixed rate long-term money than the debenture which looks set to return to favour.

Sources of bank lending
to property companies



Source: UBS Phillips & Drew

Flemington: responsibility

Christine Moir looks at funding strategies

Bankers ponder the return of prudence

SENIOR British banking figures are at pains to persuade me that the gross over-lending on property that characterised the late 1980s is a problem now past its crisis.

"It is just that the statistics do not yet reflect the change," is a view put forward. Alternately, it is argued, any continuing problems will be faced by the foreign banks which rushed into the sector with inadequate local knowledge and which account for almost half the £37.1bn of bank loans outstanding on property at the end of August.

However, the doubts linger. Lending on property projects obviously takes time to unwind, but it was as long ago as 1987 that Mr Robin Leigh-Pemberton, Governor of the Bank of England, first publicly warned of his concerns, and since then the total overhang has more than trebled from about £12bn.

Between the end of 1988 and October last year, when the governor issued a more pointed warning, the level expanded by nearly 50 per cent to over £30bn with a further increase of a quarter still in the pipeline. Nor is it easy to hold foreign banks responsible for the bulk of the upsurge. Although lending by Japanese banks was the most publicised feature of the second half of the decade, by the third quarter of this year they still accounted for only just over 10 per cent of the total. For those with memories of the great property crisis of the mid-1970s, which so narrowly skirted systemic failure in UK banking, the spectre of imprudent British institutions is hard to shake off.

Mr Leigh-Pemberton may be right to deny that today's problem is on the systemic scale it was on that occasion, but his staff have not relaxed their vigilant monitoring of individual institutions.

Some banks are still stubbornly over-exposed to property and they are not all foreign. Prudence is rapidly regaining its place in banking parlours. Of the clearers, Lloyds has always been the least aggressive in property lending, but even it has tightened its criteria for development finance, looking past the property company to first-class tenants to provide the covenants for any loans.

The other banks have also adjusted their loan books to reflect the bleak medium-term outlook for lettings – probably in time to avoid serious further damage to their balance sheets. Encouragement for such a move has come, interestingly enough, from the property companies by way of changes in company law.

The 1989 Companies Act made it rather more difficult for companies to fudge the facts about off-balance sheet lending. Previously loans for joint ventures had been treated as completely non-recourse lending even where the property company parent had provided guarantees on completion or interest rate cover, for example. The 1989 act covered such issues even if the joint venture was structured to present the developer as a minority partner.

Having to account directly for subsidiary undertakings, has concentrated the minds of developers, a new habit which they have passed to their bankers. Whether it has come in time will soon become apparent. (The tracks of pain etched into the annual bank reports due for publication next spring will come not from global risk taking but from closer to home – backing foolhardy commercial property schemes in London's docklands).

The single most striking aspect of this recklessness is that it broke the first rule of project finance: never put money in until the exit is clear. Bankers have always lent developers funds for construction on the firm basis of a so-called take-out by a long-term investor at the end of the construction period. By mid-way through 1987 the main long-term investors – the pension funds and insurance companies – had made clear that their appetite for property was jaded.

To claim a delay between the date construction funds are promised and when they are drawn down is irrelevant. The fact is that the banks continued to pour money into projects which had no take-out and increasingly, no prospect of one. As always the end came brutally. Developers complain that they cannot find bank finance for even pre-let schemes with institutional backing. Some viable projects are lost in this way. More often, the reluctance of bankers to lend on developments is the heavy debt burdens carried by the property companies from previous schemes.

Tony Andrews

Leigh-Pemberton: vigilant

Traditionally, banks did not much concern themselves with the developer's ability to cover the interest on project finance. The interest could be rolled over and capitalised in the price paid by the long-term purchaser. But with that species becoming rare, developers began to be weighed down with the rolled-up interest of previous schemes. In a burst of belated prudence many banks are now demanding that clients show an ability to cover today's high interest rates out of cash flow, until the project becomes self-supporting. Hence the banks' attention to the quality of tenants for any proposed development.

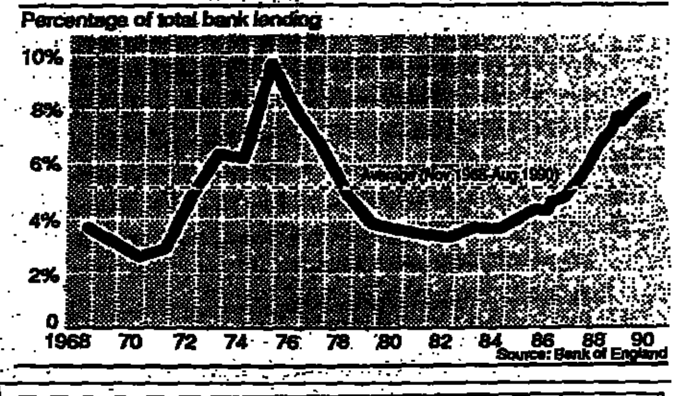
Unfortunately for developers still burning to see new schemes come out of the ground, such first-class covenants (while not as rare as long-term investors) are scarcely falling over themselves to queue up for new locations. In this respect the retail sector has been conspicuously badly hit. Shopping centres will not service their interest bills on rents from Marks & Spencer and Sainsbury alone, and even these two flourishing retailers are canny about their expansion plans.

Office schemes, too, in the erstwhile prime locations, are struggling to find tenants The flood of bank finance in the past three years also coincided with, and encouraged, a rush of developments which has left most commercial centres oversupplied with offices. Perhaps the most resistant property scheme in today's climate is the small business cum industrial park. Carried out on a modest scale with the needs of local tenants uppermost, these are letting at rentals which cover the comparatively lower construction costs.

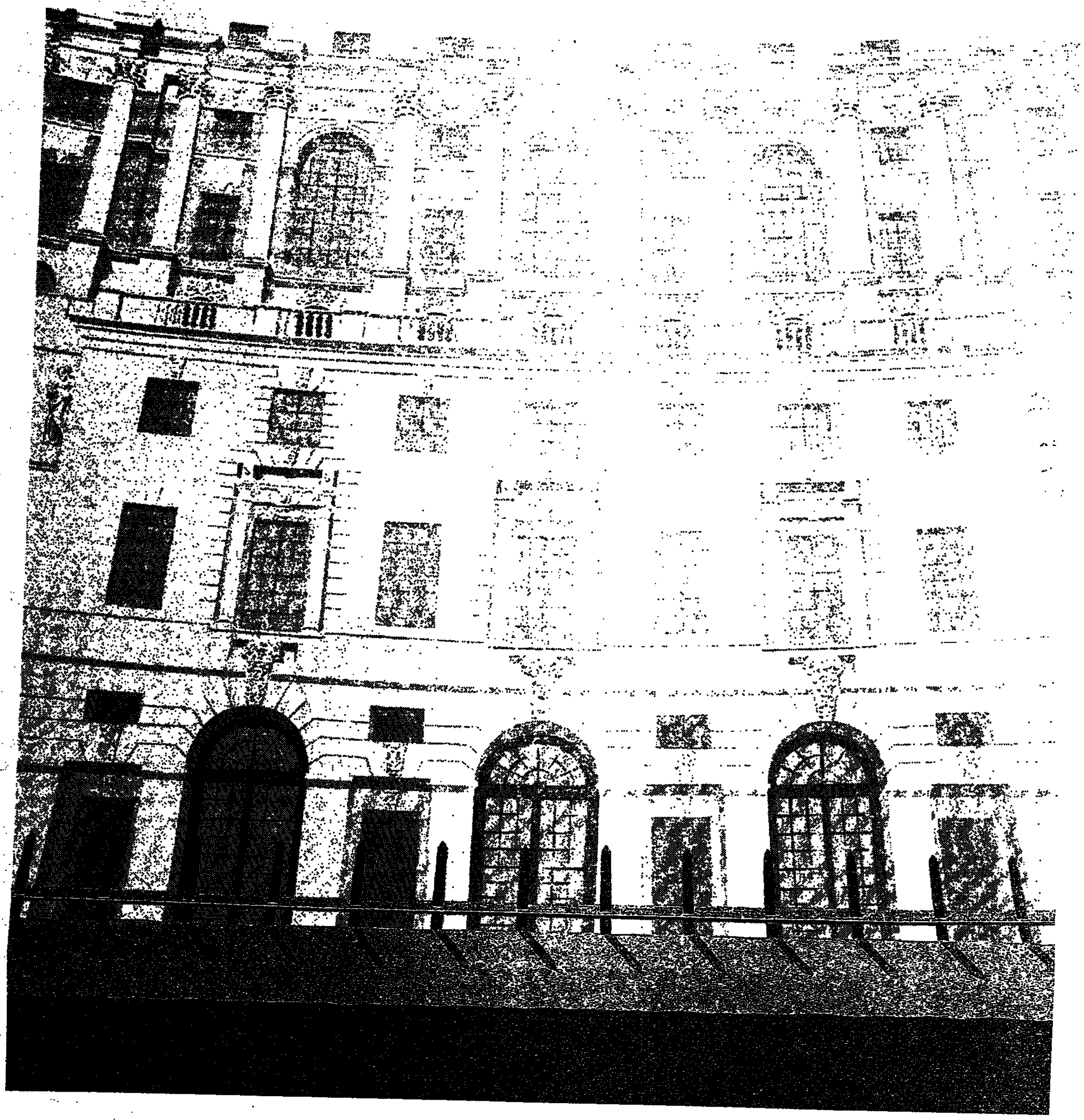
The banks see little prospect for joy. Office rents show little likelihood of rising for the foreseeable future – and the multiplicity of incentives available to tempt tenants suggest that many are already too high.

Shop rents are under strain. Anecdotal evidence of growing arrears by tenants is widespread. In such a climate the banks can no longer delude themselves. But now the leading banks have another problem: responsibility to their long-term relationships. As Mr Roger Flemington, group deputy chief executive of National Westminster Bank reflected in the summer: "We have a responsibility not to drive our customers into bankruptcy."

Bank lending to property companies
Percentage of total bank lending



Source: Bank of England



ONE SELLING FEATURE OF THIS GRADE ONE LUTYENS BUILDING MIGHT EASILY HAVE BEEN OVERLOOKED. THE HEDGE.

Given the UK's present economic climate it's hardly surprising that the interest rate hedge we developed for this major City project has proved so attractive.

But the real beauty of the deal was our innovative approach to the financing package.

It's another first — a £150 million stepped-coupon discount Eurobond issue secured by a first mortgage. That makes it the largest single property securitised mortgage financing ever done in the UK.

Not that financing firsts are our only strength.

This year alone we have closed over $5 billion of direct property sales worldwide. So whatever your real estate needs, just ask us.

We won't beat about the bush.

Salomon Brothers

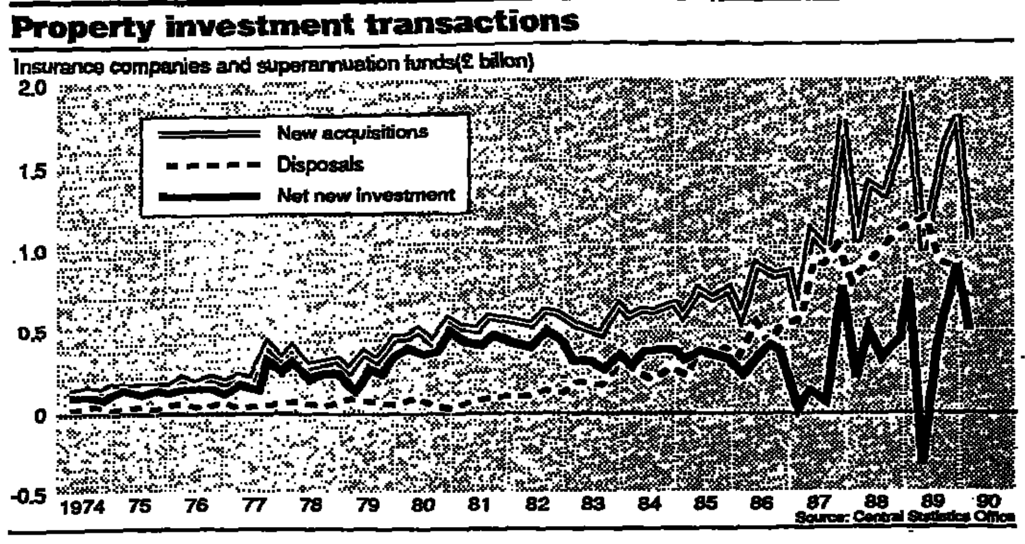
In June, Scottish Amicable, one of the most active institutional investors in the property market this year, bucked the domestic institutional investment trend when it purchased Kempson House, at the junction of Bishopsgate and London Wall, for more than £23m from Land Securities

The institutions' appetite for property has slackened, writes **Anne Steadman**

Groups happy to sit on the fence

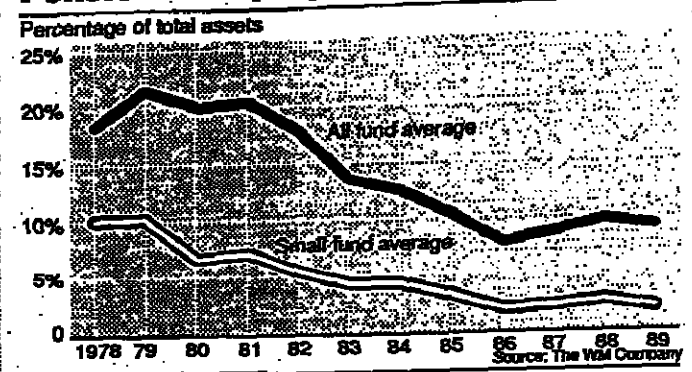
Property investment transactions

Insurance companies and superannuation funds(£ billion)



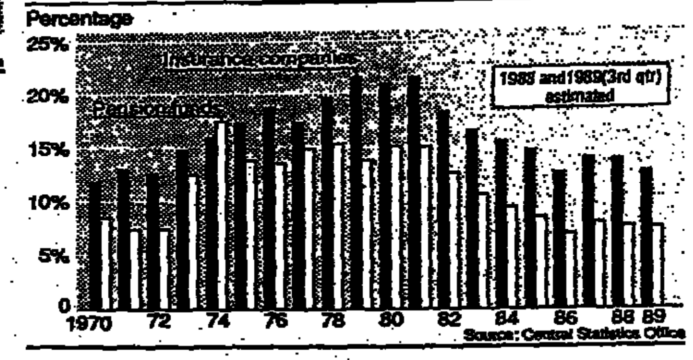
Pension fund property holdings

Percentage of total assets



Institutional property holdings

Percentage



THE institutions' healthy appetite for investment property and property developments added fuel to a property spree fired and stoked by the banks. But institutional appetites, along with the property market, have cooled considerably. And most of the funds are now conspicuous by their absence.

Entry into the exchange rate mechanism and the 1 per cent cut in interest rates have had little impact on the commercial property market. As values continue to fall and yields edge upwards, institutional investors are waiting and watching for the market to reach the bottom. However, general market feeling is that we still have some way to go before that happens.

While some institutions, such as the Prudential, have made well-publicised cuts in their property operations and others have made it clear that they are not interested for the moment, many have been relatively active behind the scenes. And most would not like to be considered out of the market. There are bargains to be picked up and the institutions are playing a vulture-like role. But they are being very selective and are not rushing to buy because something is cheap – it may well get cheaper. Purchases have to meet strict investment criteria.

Many institutions are waiting for the market to bottom out and working on upgrading and maximising the value of the properties in their existing portfolios.

Mr Mike Perkins of Commercial Union considers that the figures used to illustrate the fall in institutional investment in property could be misleading. Commercial Union's level of spending on property this year will be, he says, probably

Many institutions have been quietly active behind the scenes

around the same level as last year's. This is in spite of the fact that he has bought "hardly anything" new.

Where purchases have been made they have been made with the aim of enhancing the portfolio which stands at just over £1bn in total in the UK. For example, a prime shop between two others already owned has been acquired as has an office building adjoining another in the existing portfolio. Opportunities have been taken to buy in leases and realise marriage value in other ways.

Like other large institutions, Commercial Union, with an interest in more than 1m sq ft has a considerable City of London portfolio. Most of it is located very close to the Bank of England and only an insignificant amount of space is vacant.

Mr Perkins says he foresaw the prospect of oversupply several years ago and decided to put plans for further City development on ice – to be considered again in the mid-1990s. Mr Perkins foresees two rough years in the City but he points out that the couple of years of exceptional growth that we have seen means that the required performance has been achieved.

Norwich Union has a large City portfolio – including a 300,000 sq ft development programme. Again, it has not recently been active in the market for larger properties – but it has been a regular buyer of smaller properties from £6m to £9m. Like Commercial Union it has turned its attention to its almost £2.5bn portfolio and is taking opportunities to acquire freeholds and other methods of active management to improve the portfolio.

Mr Robin Broadhurst of Jones Lang Wootton says that while activity in institutional investment market is not great – there is certainly still a market. He points out that most of the funds are now mature and that there is only a limited amount of cash available to be spent on property.

Mr Jon Clarke at Conrad Ritblat agrees and says that high street shops are becoming the sector most favoured by institutional investors. Good shops, he points out, are now cheaper than they have been for a very long time. Ten years ago prime shop yields were standing between 3 per cent and 3.5 per cent. Not only are shops looking cheap, there are also more opportunities to buy them than there have been over the last few years.

Still very much in the market is Scottish Amicable. It

With prices still falling, some UK property is looking very cheap

recently announced that it is to buy a mixed portfolio from Next for £24m. Scottish Amicable's Mr David Hunter considers that in the current climate it is difficult to buy single orthodox investments at valuation – when there are properties to be picked up at large discounts from various sources. He has, however, taken a look at properties on offer through distressed property companies and receivers and has so far not been impressed. "We did not see anything that we really wanted to buy", he says.

Another Scottish institution still very visibly in the market is Scottish Widows. Its recent purchase of a shop in Bath at a reputed yield of about 4.75 per cent caused a few raised eyebrows. Fund manager Mr Andrew Windscale points out that in the past, opportunities to buy a shop of the right size and the right shape in the best location in a top shopping centre such as Bath, have been virtually non-existent.

He firmly believes that it is "quality rather than yield that counts". Scottish Widows added £100m worth of property to its £1bn property portfolio last year and it intends to spend about the same amount this year.

In spite of a few brave exceptions, the majority of institutional investors are sitting firmly on the fence. And it is unlikely that their attitudes will shift until it becomes clearer what the economic future holds. But it may take some time for a clear picture to emerge. Surveyors Richard Ellis thought that the market was about to bottom out about last July. But the Gulf crisis, and gathering gloom over the economy meant a hasty revision of that forecast. The company is now unprepared to make any predictions about just how high yields can go, or when we shall see the bottom of the market. The surveyors say the current situation has no historic precedent and "anything could happen".

If ERM entry has had little effect on the UK domestic property market, it has at least provided a little more certainty for overseas investors. And, with prices still falling, UK property, particularly in central London, is looking very cheap, especially when compared to, say, Paris where the market is becoming overheated and buyers are having to pay yields of 4 per cent on projected rents.

Mr Robert Campbell of Jones Lang Wootton says that European institutions are poised to make purchases in London. Dutch, Finnish and Swedish institutions are all taking a serious look, says Mr Campbell, as are the German open-ended property funds which are about to see their restrictions on acquiring overseas property lifted.

Cross-border property deals are increasing, says **Christine Moir**

Focus shifts to new markets

IN the past three years, as all but the weakest members of the European Community lifted exchange controls, there has been a sharp upsurge in cross-border property deals.

Once the British had the field effectively to themselves. Now estate agents rank them only fourth – behind the Swedes, the Dutch and even the newest entrants, the French, whose government resisted capital freedom up until 18 months ago.

Europeanisation has arrived as far as property is concerned, even if the harmonisation of legal and professional structures is still some way off. But this latest phase in the internationalisation which Britain has led for more than 20 years has come at a moment when the property industry is unable to capitalise on that lead.

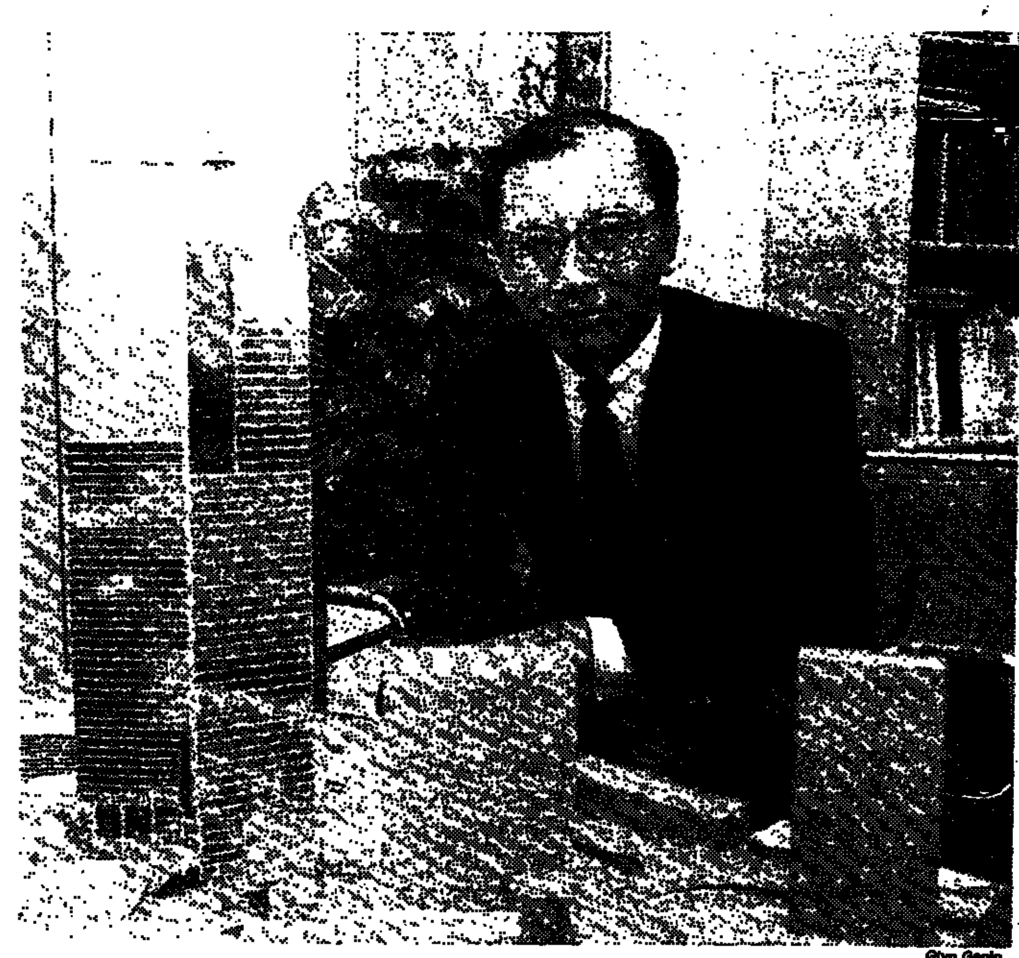
Investing institutions have for some time turned their faces away from property, both at home and abroad. "The only market they want to be in," says Mr David Seddon, an investment partner with the Jones Lang Wootton European team in London, "is the cash market". So Britain is represented in Europe mainly by development companies but their mood is cautious.

In the late 1960s and early 1970s British developers took off into Europe with such enthusiasm that it looked as if there would soon hardly be any "corner of a foreign field" which would not be England.

Two decades of decidedly mixed experiences (including some chastening disasters) have exchanged euphoria for realism. In the main, today's active UK developers in Europe are the big, old-established names which survived the first phase: MEPC, Hammerson, Heron, Brixton, Slough, Trafalgar House.

A few newer names also spring to mind: Mountleigh is actively managing its Galleria Speciados retail chain in Spain, as well as schemes in the Netherlands and Germany. European Land has just embarked on an ambitious 5,000 acre, £2bn business and housing development just north of Madrid. Arlington, the industrial property arm of British Aerospace, is creating a business park near Calais.

In the main, smaller and newer companies, rarely translate their frequent investigative forays into bricks and mortar. The economic slump at home, the absence of equity funding and bank lending both scarce and expensive, will make deals harder to bring off.



Glyn Genin

Dr Lo Ka-Shuai, managing director of Great Eagle, seen with a model of the Citicorp project in 1989. The development, on the Garden Road site, is Hong Kong's last big building project

One of those which have made a success of European expansion is the property division of Dixon's, the electricals and consumer goods retailer.

Much understanding of the differences which still divide continental markets, lies behind the claim by its chairman, Mr Brian Bennett, that "you need patience and commitment . . . and you need to play the political game". DPD now has property investments in Germany, Belgium, France, Luxembourg and Portugal to show that his strategy pays off.

Europe is only the latest arena for international property expansion. The British have also been strenuously recolonising parts of the US for as long as they have been pushing into Europe.

In North America, the main competition has come from the Japanese, but other European property investors (notably the Dutch) have also helped to make selected pockets of that continent a truly international market. At present, it may be the Europeans who will keep the American real estate market alive. Economic deficit, investment sector scandals, poor real estate returns and gross over-supply in some key centres, have for the moment disillusioned US institutional investors. The Japanese are expected to draw in their horns while they address their own domestic capital squeeze. Leading British players in the US are probably preoccupied with long-standing projects.

US property markets are not the only ones round the world to be depressed. Australia is going through one of its not-infrequent troughs with little foreign interest in anything but a few so-called "trophy" properties in Sydney and its own entrepreneurs grappling with problems of survival.

Hong Kong, an erstwhile magnet for international investment, is taking its lead from the locals. With 1997 looming, they are concerned with short-term investments and liquidity. Few property deals meet the specifications.

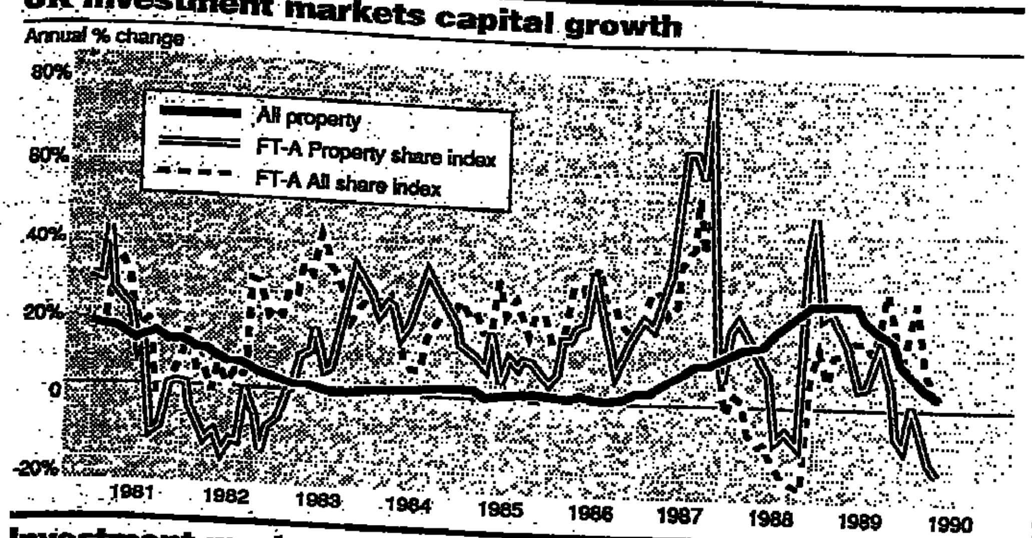
As established international property markets temporarily decline, new arenas arise. The exciting potential of eastern Europe has become a cliche, superceded by more sober assessments of the obstacles in the way of creating western-style commercial structures.

In the early stages some of the most promising opportunities may be property developments. One leading hotel, shopping and housing scheme is planned in the heart of Moscow by the Russian Artists Union who are courting French and Canadian finance.

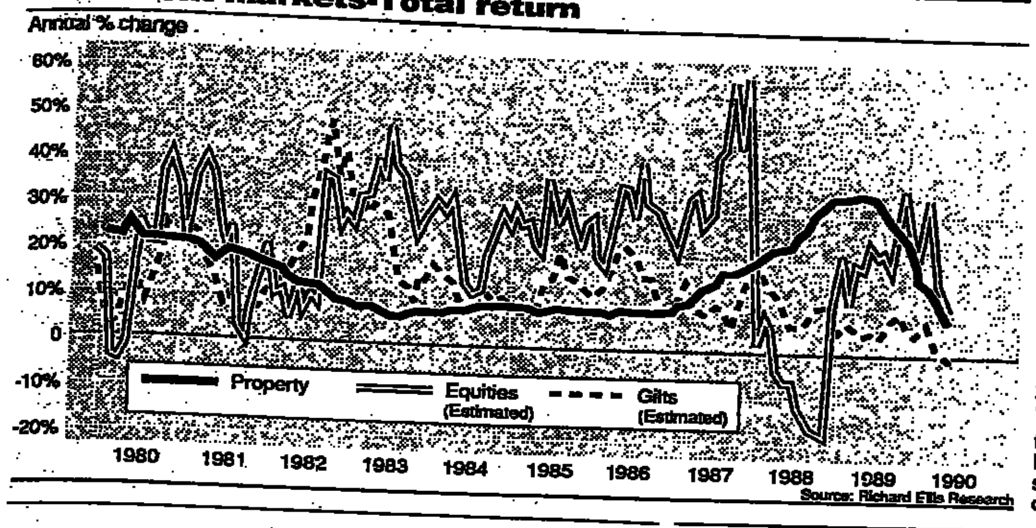
Tourist accommodation is urgently needed in Budapest, Prague and Warsaw, three new honey pots for the package tour industry. While land rights squabbles and the lack of international standards of professionalism will make development schemes highly risky, some will succeed and the rewards could be far higher than in more stable and over-supplied tourist spots. Property developers are queueing for the chance to push internationalism a stage further.

هكذا من الأصل

UK Investment markets capital growth



Investment markets-Total return



Source: Richard Ellis Research

Emerging optimism is defying the background of recession, writes **Christine Moir**

Sector shows signs of a recovery

IT IS just possible that mid-November saw the bottom of the market called in property shares. After the chancellor's autumn statement (in later versions of which he finally steeled himself to use the word recession) the property sector, surprisingly, went better.

On the Friday following Mr John Major's speech in the House of Commons, leaders rose: MEPC by 11 to 485p, Land Securities, Hammerson and Slough by 4 apiece to 521p, 589p and 226p respectively.

Of even more moment was the turnaround in the share price of Rosehaugh, Mr Godfrey Bradman's high profile development company. In the week ending November 10, Rosehaugh's shares jumped by no less than 30 per cent, to 99p, even though the figures due out in two to three weeks were expected to be extremely bad.

Part of the uplift was reflected optimism from the glittering profits figures unveiled in the second week of November by Stanhope Properties which is Rosehaugh's partner in a number of its leading projects, such as Broadgate.

Yet it was only days earlier that Rosehaugh's shares had been languishing at 60p with some commentators preparing obituaries. Quiet reassurance from the Bank of England was claimed to have been behind the small steadying in the share price ahead of the chancellor's set piece, but the real upturn came later.

Superficially, there was nothing to reassure the market in the chancellor's address. Recession will not provide the background for rental growth or rapid take-up of empty premises. The hoped-for second drop in interest rates has been delayed indefinitely. Inflation will not be coming down for many months, even on the chancellor's determinedly optimistic forecast.

It seems comfort has been taken from the absence of bad news

It seems as if the market has been taking comfort just from the absence of further bad news in his message. Leading analysts agree that property investors have grown so accustomed to the idea that the industry is in deep trouble that they have become hardened to significant bankruptcies.

It would take a lot to make them more bearish. The consensus ends there. Some believe the sector has merely entered what will be a prolonged neutral phase, punctuated by occasional slight ups and downs on outstanding news.

Others foresee the early preparations for a sustained resurgence in the way the market has begun to respond to good news. The quite pedestrian good news of the predictable eventual letting by the Hammerson Group of Dominant House sent its shares up 10p when the event might have been expected already to be in the price. However, it is premature to rely on this tendency. After such a powerful mid-November upturn, the market may well become nervous again when Mr Bradman spells out just how tough conditions are for a developer, even one with the powerful supporters of Rosehaugh.

Hard evidence of the sector's resurgence will not occur until investors regain an appetite for second-line stocks. That appetite is conspicuously lacking at present. In a sector with more than 150 quoted stocks, the top six (by market capitalisation) account for 70 per cent of the market.

The rest languish, visited only by indifference while investors concentrate on the handful of blue chips. Febrile interest can be generated in recovery possibilities – as Rosehaugh has proved. But the market remains sensitive to the risks they entail.

Godfrey Bradman: turnaround in the Rosehaugh share price

Physical property yields have hit a 15-year high, but investors fear that not all balance sheets have been fully adjusted to reflect the severity of the change. Some bullets have still to be bitten. More bankruptcies will occur.

Against this background it is no wonder that investors prefer to focus on cash flow and companies' abilities to meet their debt obligations, rather than on asset declarations which may be based on valuations with little correlation to the prices at which properties are changing hands.

Analysts at James Capel, for example, are prepared to estimate net asset values for leading stocks and even to suggest, tentatively, that the discounts to net asset values for this group may be narrowing. For the rest, they claim NAV have little or no significance.

One further sign of optimism, however, may be gleaned from the indications that some foreign institutions are prepared to take small, but strategic stakes in UK property companies.

"Bottom fishing" is the market coinage and the catch may take long to land since there is little chance of an upturn in underlying property prospects for the next year at least. Those with long-term horizons include Algemeine Bugersrijk Pensieonfunden, the mighty Dutch public sector fund which recently snapped up a stray 5 per cent of Hammerson. Such trifles will not cause the sector to start outperforming the rest of a subdued market, but together they do begin to suggest that the worst of a foul two years may be over.

FUTURES

A chance to manage risk

LONDON FOX, The London commodity exchange, is likely to launch the world's first property futures market in March next year, offering an opportunity for property investors to hedge against a volatile UK property market.

Four contracts will be on offer: Commercial Property Futures, Commercial Rent Futures, Residential Property Futures and Mortgage Interest Rate Futures.

The two commercial property contracts will be based on the Investment Property Databank (IPD) monthly indices of capital and rental growth.

The impetus for the new market has come from London Fox which trades contracts in cocoa, coffee, raw sugar, white sugar, rubber and the MGMI Metals index.

Mr Graham Wainer, research manager at London Fox, first researched the possibility of a property futures market and is now project-managing its launch. Mr Wainer considers that the market is likely to be attractive to several types of investor. The function of a futures market, he points out, is to offer participants an effective, organised, regulated and liquid medium for managing price risk.

There are two basic strategies that apply to all commodities including property – hedging and trading. The hedgers are looking to minimise any risk caused by an unforeseen downturn in the market. The traders take a view that the market will improve – and wish to take as much advantage as possible.

To take an example: an institution may decide to sell some of its properties, reducing its exposure to property. As property is liquid the institution considers that it will take about a year to sell it all. The market at the time is flat. But it could get worse. It therefore sells futures contracts to the value of the expected sale proceeds of the properties. The price reflects the general view of the market at that time.

After 12 months, during which there has been an unexpected downturn in the market, the institution has sold its properties realising less than originally expected. It then closes out its positions at a reduced figure reflecting the actual downturn. Any loss is likely to be minimal – compared with the actual loss on the physical properties.

However, should the market have moved sharply better during the 12 month period, the institution will have locked in its original estimated sale price – but will miss out on unexpected windfall profits.

A cornerstone of commercial property futures is the IPD indices, chosen after looking closely at many other indices. IPD, which was set up in 1985, is owned by two executive directors and several firms of surveyors and is independent of any one firm. It monitors a portfolio of properties standing at about £2bn in some 30 unitised institutional funds. All properties are externally valued on a monthly basis. At Christmas the indices will be formally relaunched and rebased with the addition of property from another 10 funds; bringing the total value of the portfolio to some £3.3bn.

London Fox was thorough in its research. It sent a team from Coopers and Lybrand Deloittes into IPD to report on all aspects of the company, from the technical construction of the indices themselves to the companies day-to-day management and long-term financial viability. The company says it has been given a clean bill of health.

London Fox has also set up a committee, the Property Futures Market Formation Committee, which includes representatives from institutions, property companies, stockbrokers and surveyors.

Mr Nigel King of Salomon Brothers is a committee member and says that as one of the largest users of futures contracts worldwide, Salomon will certainly consider using property futures "if liquidity becomes established". But that is a big if – and the key to the success of the new market. The main questions are who is going to use it and will there be enough of them to create a secondary market.

Mr King considers that in theory there are many categories of investor who would welcome the opportunity to plug into a market that provides sector-average performance rather than performance specifically related to one property or one portfolio.

There are also various practical uses which could be made of a futures market. For example, an overseas investor, having taken the decision to invest a certain amount in UK property, could use the futures market to lock in at today's values while he assembles his portfolio.

Another committee member, Mr Marc Gilbard of County NatWest, says that besides hedging and trading, the futures market will provide the ideal environment for two other risk management techniques – arbitrage and spreading.

The former relates to simultaneous buying and selling of contracts in different markets with the aim of profiting from price anomalies. The latter means buying and selling different months of the same contract to take advantage of favourable movements in price on a monthly basis.

Mr Wainer emphasises that futures are a form of risk management rather than a means of increasing liquidity in the property market. But if the market in property futures is a success, the consequent increased liquidity will be seen in property circles as one of the greatest benefits.

Another benefit will be that valuers will have a measure which is calculated daily to aid them in the process of preparing their valuations; and firm evidence to back them up.

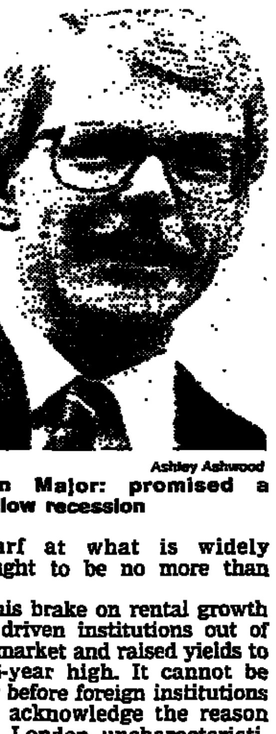
All concerned are impressed with the enthusiasm for the project generated by London Fox; and there is undoubtedly a great deal of interest. But after the failure of much vaunted new property investment vehicles – Pincs, Spots, Sapcotes et al – to get off the ground, there is understandably considerable caution. After all the property business and the property market are traditionally considered to be long term by the people who work in them. How many of them are going to begin dealing instantaneously on a screen?

Mr Alex Moss of BZW echoes the general consensus. He says that technically property futures are a good idea.

Anne Steadman

FOREIGN BUYERS

Overseas interest is likely to slacken



Ashley Ashwood

John Major: promised a shallow recession

THE property investment market in Britain's main cities today is wholly dependent on interest from abroad. According to figures from Jones Lang Wootton, the chartered surveyors, foreign purchasers accounted for 80 per cent of all central London deals in the first nine months of this year. In the West End, the figure is nudging 90 per cent.

It is a far cry from only five years ago (when all but 5 per cent of deals were among locals) and it is profoundly unhealthy.

Overseas institutions have been attracted to the UK by what to them are long, 25 year, leases with upward only rent reviews and all costs met by the tenant.

They have also appreciated the professionalism of the market where surveyors, lawyers and accountants of good quality are readily available. The moderate size and, therefore, cost of individual buildings has also appealed.

Those basic attractions remain but investment properties are bought for future rental growth and prospects for that have evaporated with the recession.

In central London, for example, the decline in demand has coincided with a burst of development with predictable effect. The first class City tenant is in a position to choose between Bishopsgate at £65 per sq ft, the Broadgate Centre at perhaps £45, and now Canary Wharf at what is widely thought to be no more than £30.

This brake on rental growth has driven institutions out of the market and raised yields to a 15-year high. It cannot be long before foreign institutions also acknowledge the reason why London uncharacteristically offers the highest yields of any leading European centre.

Moreover, the decline in the UK's attractions is coinciding with domestic problems for some significant foreign groups which could curb their external programmes. In the past couple of years, for example, the Swedes have been far and away Europe's most aggressive cross-border investors.

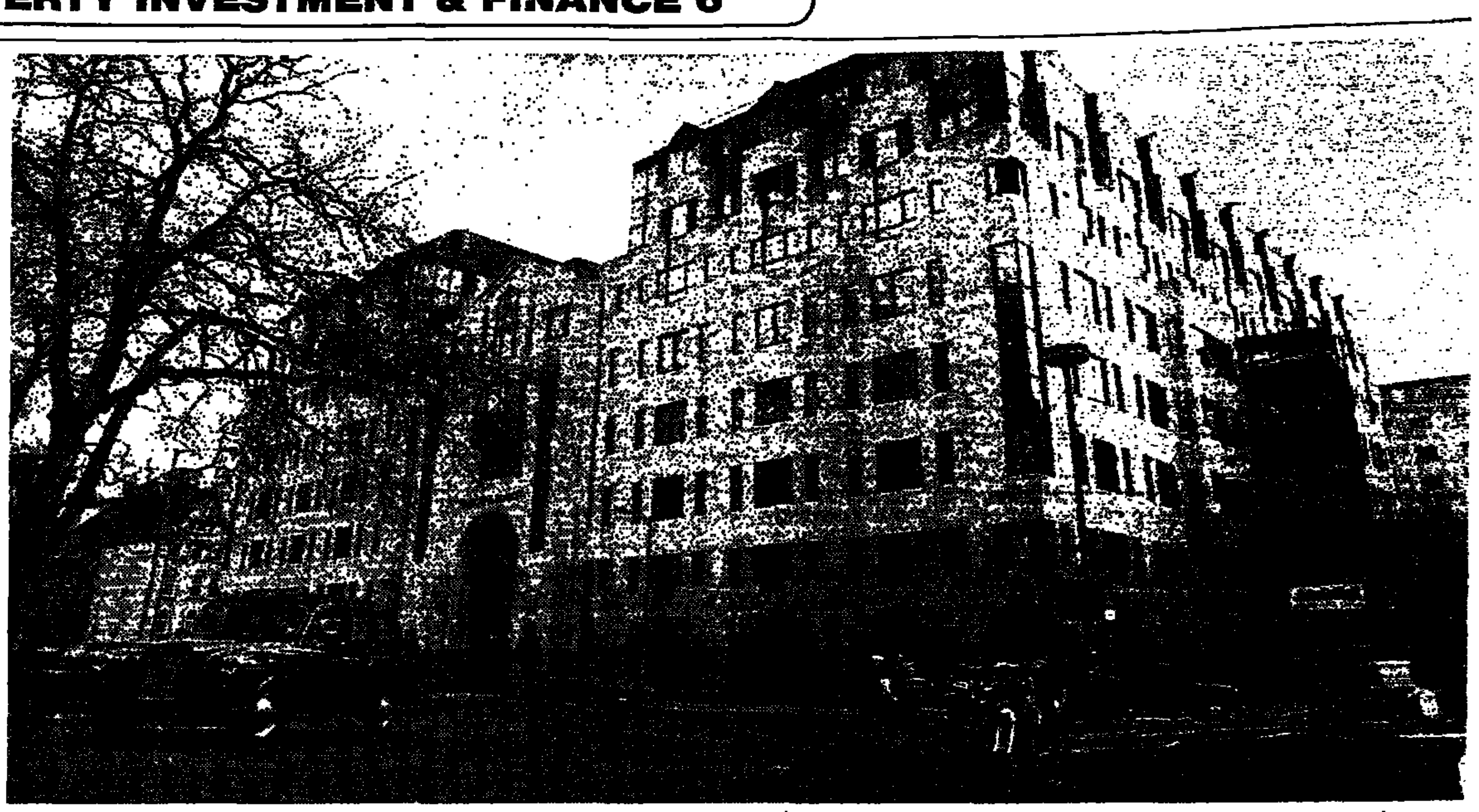
In October, however, the Swedish government imposed a savage credit squeeze in its battle against 11 per cent inflation. In one week, interest rates soared from 12 to 17 per cent.

Japanese banks must concentrate on repairing their capital bases after the unfamiliar ravages of a stock market collapse and interest rate rises of unprecedented steepness.

Between them, according to JLW, these two nationalities accounted for 51 per cent of all central London property purchases in the first nine months. Their absence, even if only temporary, will be keenly felt.

To date, the problems in Japan and Sweden have not yet had time to make themselves felt in the British market. Figures produced by the Swedish Chambers of Commerce for the UK reveal that about 100 Swedish companies hold nearly £4bn of UK property, about the same as the Japanese can lay claim to.

Both have also been prominent among the benchmark deals completed until the autumn. At the end of September Sumitomo was reported to have spent £220m on a 52.5 per cent stake in J. P. Morgan's 435,000 sq ft headquarters redevelopment of the former City of London school site on the Victoria Embankment, close to Blackfriars Bridge.



In May, Lansdowne House broke all investment records when it was bought by an unknown buyer for £250m

More recently the market has buzzed with the rumour that a Japanese life company has bought into the Goldman Sachs property in Fleet Street (still thought of as the Daily Telegraph offices).

The Japanese are thought to have a number of other deals in the pipeline in addition to Kumagaigumi's large joint venture Broomielaw development on the banks of the Clyde in Glasgow. But once these have reached fruition agents believe there will be no continuing stream of deals for some time.

To some extent the slack may be taken up by other European nationals.

The Dutch have favoured British property (and property companies) for some years and their 6 per cent share of the UK market looks certain to grow as the Swedes slow down and Dutch institutions such as Nationale Nederlanden gear up further with developments on the scale of their £100m plus joint venture with Lynton in Henrietta Place just off London's Oxford Street.

German companies are also coming to the fore, judging by Certler Properties' two recent purchases of the Debenhams headquarters in Welbeck Street and of 91-93 Baker Street. But these are still small beer for the moment and do not make up for the scale of the Japanese and Swedish involvement.

Their absence may also highlight the continuing dearth of US institutional investment and the withdrawal of the Australians.

Both nationalities are pre-occupied with economic problems on the domestic front. In addition, Australia's entrepreneurs are facing a series of individual problems mostly of their own creating, while US institutions have allowed their disillusionment with real estate at home to colour their opinion abroad.

The crunch is still to come. Last year saw £3.1bn of foreign investment in the UK property market and the first nine months of this year produced £2.4bn, a shortfall of no significance according to Debenham Tewson & Chinnock who produced the figures.

The really bad news will not arrive until the New Year. By then foreign investment is expected to have dropped to an annualised rate of no more than £2bn – a figure similar to the net investment levels by the UK pension funds and insurance companies.

It is not easy to see where the shortfall will be made up. Bank lending (studied in more detail elsewhere in this survey) has been the prime source of property finance in the late 1980s, accounting for nearly £10bn of the total £16.6bn from all sources last year.

But anxious bankers are cutting back their property loan books as fast as they can without overturning the whole applecart and the stock market does not offer property companies the alternative of cheap and easy equity finance.

Mr John Major, the chancellor, promised in his autumn statement that the current recession would only be a shallow one. That may be so in an economist's definition. For the property sector, the prospects of continuing high interest rates and a downturn in inflation still a year away, together with industrial and commercial recession, offer cold comfort. If foreign investors also turn aside the chill factor will be cutting.

Christine Moir

SMALLER COMPANIES

Banks keep a close eye on market moves

THAT the last September quarter day, when companies have to pay interest to their banks, failed to precipitate yet another crop of casualties among the smaller property companies is, in no small measure down to the goodwill of the UK clearing banks.

Faced with the prospect – purely by default – of becoming some of the UK's largest landlords, and after quiet words in the ear from the Bank of England, the banks are in the main taking a supportive attitude towards their troubled borrowers.

Apart from those companies already in the hands of receivers and administrators, quite a few more have been placed in intensive care by their bankers. Not all of them are going to make it. And there is no doubt that we shall see the demise of those that are just too sick to pull through.

In any event the number of quoted property companies is likely to decline considerably over the next few years. In spite of the scale of bank lending to property – the UK retail banks' share is approaching £17bn, some 44 per cent of the total – it forms only a small proportion of their lending. Barclays Bank is the largest lender with advances of £4.5bn – and far higher limits.

However, this represents only about 8 per cent of Barclays' total UK sterling lending says Mr Peter Scott, the bank's corporate finance director for property and construction. And of the first half year increase in the bank's provision for bad debts, property, at less than 4 per cent accounted for under half the overall figure. Though the banks are taking a reasonable attitude, they are certainly not complacent and are watching market developments closely.

They are sending in teams of advisers to investigate not only the properties on which their loans are secured but also the borrowing companies themselves, hoping to solve as many problems as possible. It is not only the surveyors, accountants and management consultants that the banks are recruiting as their troubleshooters.

Not a few of the healthier small companies – who have seen their share rating suffer with the rest – are also being called in to advise the banks. Helical Bar, for example, is advising two of the UK clearers on various situations.

There is a general consensus that the banks are not going to flood the market – and are refusing to sell properties at rock bottom prices. They seem quite prepared to hold on for as long as necessary. For example, very little property appears to be coming out of companies such as Rockfort and Broadwell Land which are already in the hands of receivers or administrators.

There are cases where this solution is just not possible. "What can you do with something that is half built, in the wrong location and which should never have been started?" says Mr Michael Slade of Helical Bar. He considers that the 4m sq ft of "block after block" of Thames Valley B1 space will sit empty for a while yet – "there is a good five years worth of supply with no growth prospects for up to 10 years". But if the UK banks are financially sound and refusing to panic, there is concern about the attitudes of foreign banks, particularly the Japanese.

The Japanese accounted for a mere 0.5 per cent of bank property lending as recently as 1985. Now they are in to the tune of nearly £4bn; almost 11 per cent. Most of the foreign banks' lending is through syndicates led by the UK clearers.

There is much talk of foreign banks "running around like headless chickens" and threatening to pull the rug. But Mr. Scott considers that this is very unlikely to happen on a large scale.

The small print in the documentation varies from syndication to syndication but most of the foreign banks – or the "stuffees" – seem to be pretty well tied in. However, faced with fears about property lending on a global scale – and in the case of the Japanese, domestic capital adequacy rules – future lending from foreign banks is likely to be at a reduced level.

Some property companies which do not fall into the distressed category but are finding the going a bit tougher and are finding ways to improve their portfolios and income without having to sell their property into a poor market.

There have been several quiet swaps of properties going on between companies. The prospect of having to sell good properties at today's prices is appalling, says Mr Ian McIsaac, of Richard Ellis Financial Services.

Several companies are taking advantage of what he calls a financial sale to avoid "being dealt out of the game at the bottom".

The financial sale involves selling a property at today's open market value with an option to buy it back at any time during the next three years. The buy back price reflects the original purchase price plus the balance of senior debt not met by the income from the property (which is allowed to roll up) plus interest on the mezzanine debt.

This way, says Mr McIsaac the company refinances the property, eliminates the net interest costs, records a sale and potentially removes the asset and its associated borrowings from his balance sheet. While it improves cash flow it also allows the seller to participate in the medium term appreciation of the property.

The City is shying away from all small property companies. Those that have gone to the wall have largely soured it for the whole sector. It is not surprising. Several chief executives and chairmen have recently issued confident statements in their annual reports – a matter of days or weeks before the receivers or administrators were called in.

Analysts say that consequently they have become very suspicious about everything they are told by small companies. One analyst says that he has been told more lies in the last 12 months than he has in the last 12 years.

Investors are seeking the haven of the larger, solid and safe investment companies although many of the smaller companies are making a point of keeping in touch directly with their existing shareholders in order to maintain their sympathy and support.

But will small companies ever come back into favour with the City? Mr Chris Turner of Barclays De Zoete Wedd sees little reason why they should – unless they offer something special. After all, he says, the costs of running a small public company are not significantly different from those for a much larger one.

The cost of producing annual reports and all the other items necessary to the discipline of running a quoted company alone can knock a considerable amount off the profits, he points out. The salaries are not significantly smaller either.

Trevor Humphries

Peter Scott: Barclays Bank is the largest lender in the UK

And the same management is probably capable of running a much larger portfolio in many cases.

That more small companies will fail seems certain. There is also bound to be a spate of mergers, both natural mergers – those that make sense because of the compatibility of the portfolios and/or management – and mergers that are purely defensive.

Some small companies will make it through on their own and some may well take advantage of current market conditions. There could be one or two big winners in the medium term. As average property yields move up and the gap with the yields on gilts narrows, property could begin to look a better bet for investors.

"I think the trend is quite healthy for everyone," says Mr Turner. Those "few boys driving round the M25 ringing each other up" might not agree, he says.

Nor will quite a few of those who made the assumption in their business plans that somewhere along the line they would be able to rely on their paper to provide a capital injection. They will not be missed.

Anne Steadman

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RECRUITMENT

JOBS: Research shows cultural divisions between countries which outsiders view as similar

Where different nations' managers disagree

WHICH European country's executives differ most in working attitudes from managers in what used to be West Germany? The answer is those in what used to be East Germany.

Or so it seems, at least, from the Jobs column's analysis of studies by consultants David Wheatley and Fons Trompenaars, who specialise in gauging cultural differences between nations. Over the past few years they've persuaded thousands of people, mostly executives, from numerous countries to answer a series of attitude-probing questions.

Some are straight either-ors. For example, should a business company's only real goal be profit-making – or should profit be just part of the wider goal of ensuring the well-being not only of shareholders, but stake-holders such as customers and employees?

Other questions delve into more complex beliefs. For instance, in which ways as well as to what extent should people put their duties to society as a whole before their obligations to personal friends? But the more complex questions still require a choice between two two opposed views on the particular cultural factor.

Since humans often disagree profoundly even with their nearest and dearest, it is hardly surprising that people from the same country are never unanimous in their choices. Nor has any nation split precisely 50/50. In every case, a majority have opted for one pole and a minority for the other.

Moreover the percentage of the nation's members making up the majority differs from land to land. The strength of the majority in percentage terms can be seen as denoting the nation's typical stance on the cultural factor at issue.

Trompenaars and Wheatley – respectively from the Centre for International Business Studies in Amsterdam, and the Employment Conditions Abroad consultancy in London – have so far studied 43 countries. But the Jobs column's analysis is limited to 27 (treating Germany as still split into east and west), largely in Europe.

They are Austria, Belgium, Bulgaria, Czechoslovakia, Denmark, Finland, France, two Germanies, Greece, Hungary, Ireland, Italy, Japan, Netherlands, Norway, Poland, Portugal, Romania, Russia, Spain, Sweden, Switzerland, Turkey, the UK, the US, and Yugoslavia.

Another limit on my exercise is that I have taken account of only 10 cultural factors germane to working life. They include the two mentioned earlier – the degree to which nationalities believe that a business's only goal should be to make profit, and the extent to which they consider duties to their broader society more binding than obligations to friends.

A third is how far people are individualist, in being inclined to stand alone, rather than collectivist in going along with the crowd. Fourth is the strength of their trust in our power to impose our will on nature, as opposed to the fatalistic belief that nature gives us no option but to adapt ourselves to it. A fifth is how far the nation thinks people's status depends on "what they do" – the jobs they hold and their achievements in them – as distinct from "who they are" as determined by their family's social position, education and the like.

A sixth division is between what the two researchers call "neutral" on the one hand, and "affective" on the other. For working purposes, neutral people adopt a personality which stands apart from their emotional inner selves. Affective counterparts are as emotionally bound up in their work activities as they are in their personal lives.

The seventh division is between "specific" and "diffuse" attitudes. Specific people keep their work and the folk they meet there separate from their private activities. Diffuse people intermingle them.

The eighth factor gauges belief that companies are machines for getting tasks done, as opposed to social organisations whose members combine to attain certain ends. Ninth is the degree to which managers should concentrate on getting work done, as distinct from looking after their staff. The last is how far people's responsibility to their boss extends beyond their strict on-the-job duties.

In noting variances between the scores of nations' executives, I have ignored any only a few points apart. To count as a difference, the gap must be marked.

Of the 27, 19 are similar on all 10 factors to at least one other country. The similarities are complicated because, although a country may be sandwiched between two others closely enough to be matched across the board with both, those on either side may be too far apart to be likewise matched with each other.

For example, the Netherlands has the most similarities, fully matching the US, Poland, Norway, Denmark, western Germany and Belgium. Of those seven, though, the Belgians alone are near enough to the French to be fully matched with them as well as the Dutch.

The eight countries with no across-the-board similarities are Czechoslovakia, Finland, eastern Germany, Ireland, Japan, Sweden, Switzerland, and the UK. Often there is only one gap. All that divides us Brits from Danes is our stronger belief that companies are social organisations, for instance, and our sole division from west Germans is our greater fatalism.

But the most salient message from the exercise is the differences between countries usually thought of as linked together. And eastern Germany is the prime case in point. No country is divided by so many gaps from the other 26.

It differs from its rejoined western partner on no fewer than seven of the 10 factors. The only ways the two are fairly similar is in feeling more duty to society at large than to personal friends, in being about midway between the individualist and collectivist poles, and in feeling that companies should function rather more as social organisations than as machines for getting tasks done.

What seems particularly odd is that the easterners are far stronger than the westerners in believing that profit-making should be a business company's only real goal.

Odder still is that a similar above-average regard for profit is pretty well the only thing shared by the former Soviet-bloc countries in general – or by their citizens in management positions, at least. The most profit-minded nation of the 27 are Yugoslavs, with east Germans second and Russians third.

At the farthest opposite of the same scale – thinking businesses have the broader goal of ensuring the well-being of customers, employees and other stake-holders – is Japan. Closely behind come Finland, Portugal, Switzerland, Turkey, France and the UK.

What seems another strange reflection on the effects of socialist regimes is that the Russians and Yugoslavs are the nations placing least importance on their duties to broader society, preferring to honour obligations to friends.

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For further details please contact Julie Byford or Anita Barker on (071) 583 0073 (day) or (071) 223 5141 (evenings and weekends) or send your cv in complete confidence to: 16-18 New Bridge Street, Blackfriars, London EC4V 6AU. Or fax (071) 353 3908.

BADENOCH & CLARK
recruitment specialists

confidential

ASSISTANT INVESTMENT MANAGER

With an established investment banking and trading presence in London and European markets, our client is looking to strengthen its position with the appointment of an Assistant Investment Manager.

Reporting to the Senior Director, your role will entail the administration and management of substantial client funds. This will require you to write portfolio reviews, organise valuations and advise clients.

You should already have gained a minimum of five years experience in a Stockbroking or Investment Management environment, working largely with private sector clients.

The salary and benefits package will reflect the importance our client places on this position and the prospects for career development are excellent.

Please write in confidence, with full career and salary details and quoting ref: FT/483, to Chris Smith, Confidential Reply Service, Riley Advertising (London) Limited, 159 Hammersmith Road, London W6 8BS.

Please list separately any companies to whom your application should not be forwarded.

LONDON EDINBURGH LEEDS BIRMINGHAM BRISTOL RILEY NORWICH NEWCASTLE NOTTINGHAM GLASGOW MANCHESTER

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ACCOUNTANCY COLUMN

Repercussions when the unthinkable occurs

By David Waller

THE UNTHINKABLE has happened: a leading accountancy firm has gone bankrupt. The firm is Laventhol & Horwath, the seventh-largest practice in the US, which yesterday filed for protection from its creditors under Chapter 11 of the Bankruptcy Code in the New York courts.

That unprecedented move followed a meeting of the firm's 350 partners at the Houston Airport Marriott hotel last weekend. They were told that the firm, which generated fees of $350m in the year to the end of January, faced a severe cash squeeze and could not repay bank debt of $85m. Bankruptcy was inevitable.

The downfall of the firm is the starkest illustration yet of a severe recession in the US market for accountancy services. Further evidence that it is affecting the medium-sized worse than most came on Monday when Spicer & Oppenheim confirmed that it was in merger talks. Pannell Kerr Forster and Grant Thornton are the most likely partners.

Although the financial effects of the downfall will be felt only by L&H's partners and creditors, it further tarnishes the image of the profession around the world. In the past, troubled firms have managed to escape outright collapse by merging. L&H's public fall deals a blow to the image of accountants as sober and sensible business advisers.

Specifically, it deals another blow to Stoy Hayward, the highly regarded practice which is L&H's international affiliate in the UK. The firm was already facing criticism over its audit of Polly Peck, the fruit, electronic and leisure company now in the hands of administrators, and of Astra Holdings, the troubled munitions company which is being investigated by the Department of Trade and Industry.

One of the ironies of the affair is that L&H had succeeded where most other accountancy practices had failed: it had differentiated itself sharply from its competitors. It was more aggressively commercial than most; it had a strong niche market in the leisure and hotel sectors; it had 51 offices that served big audit clients such as Reebok, Trans World Airlines and Hyatt Hotels, as well as numerous owner-managed businesses.

It attracted more than its fair share of litigation in a very litigious environment

It also managed to grow rapidly: its fees rose fivefold over the past ten years and from $153m in 1984 to $350m last year. It also distinguished itself by merging more frequently than anyone else in the pursuit of growth – no fewer than 70 times between 1968 and 1980 – and by attracting more than its fair share of litigation in an extremely litigious environment for accountants.

L&H was fortunate enough to avoid the opprobrium visited on the firms that audited failed savings & loans institutions. But its recent lawsuits and settlements include:

- In August 1986, the firm made a $6.5m settlement over 350 lawsuits connected with the collapse of J. David & Co., a San Diego investment firm, in 1984.
- In November 1987, the firm was named (together with Deloitte, Haskins & Sells) in a fraud suit over the alleged looting of Jim Bakker's PTL Ministry.
- In 1988, L&H had the dubious honour of being the first accountancy firm to be found guilty on a charge under the Racketeer Influenced and Corrupt Organisations Act. The firm later settled the suit – over failed cattle-breeding tax shelters – with a $15m payout.
- The firm recently reached a reported $30m settlement with nine creditor banks after Grabill, an audit client, went bankrupt: not all of that was covered by professional indemnity insurance.
- Earlier this year, a jury in Houston, Texas, delivered a $37.7m verdict against the firm for violating anti-fraud statutes in connection with the firm's preparation of of tax forms and financial statements for a group of limited partnerships.
- In November this year, a group of investors filed a $15m suit over a failed investment in a hotel in Phoenix, Arizona. The firm is fighting this case. It is also fighting another suit from the members of the PTL ministry, alleging shoddy auditing.

The Grabill case brought the firm national media attention when the CBS television network's 60 Minutes programme focused on the story of Mr William Stoeker, Grabill's chief executive, who is being tried for bank fraud. The head of L&H's Chicago office resigned shortly after the programme appeared.

The verdict of Mr Don Hanson, managing partner, strategic affairs, for Arthur Andersen in New York, rings true: "The firm was trying to get into the big league and over-expanded aggressively. It picked up lot of clients but also lots of lawsuits. Remember you can get big lawsuits from small clients."

The affair highlights the dangers associated with growth by merger

The affair highlights the dangers associated with growth by merger, and with the sort of clients which grow rapidly during boom conditions but fall apart in a recession. From a management point of view, it emphasises the overwhelming need for financial and quality control.

"You have to be very secure financially," observes Mr Hanson. "A firm must have a strong balance sheet in order to survive today's litigious environment."

Could that happen in the UK? Three special factors give UK accountants an advantage over their US peers in difficult economic times. The simplification of tax law in the US has reduced the demand for tax advice. By contrast, tax law in the UK is growing ever more complicated and tax consultants are in great demand.

The second factor is that UK accountants enjoy a higher professional standing than US accountants and tend to be turned to for general business advice. In the US, lawyers would be turned to first. The third factor is that the UK firms have a useful counter-cyclical business as insolvency practitioners. The fees are not high as a proportion of firms' total revenues but provide useful insulation against recession and keep up staff utilisation rates.

Conditions in the UK are undoubtedly bad. As Mr Hugh Aldous, senior partner of Robson Rhodes, says: "Income is under pressure everywhere and the profession is overbroked. It is a very mature industry and the firms are laying siege to one another, tearing each other apart."

More defensive mergers are likely in the UK's middle-tier market. And the L&H affair will prompt people to think about the merits of incorporation. At least, that way, partners will not be personally liable when a firm collapses.

GROUP FINANCIAL CONTROLLER

To be based in Brussels, Belgium

Berkeley Administration Inc is the co-ordination centre for a world-wide group of companies.

As a direct result of our very rapid expansion throughout the world, we have an opening for a qualified accountant who will head up the group financial accounting in Brussels and abroad.

The group has some 350 employees currently in 8 countries and our annual turnover is of the order of US$ 600 million.

The successful candidate, who will be fluent in English (other languages will be an advantage), will be computer literate and have a proven track record of implementing accounting systems. He/She will join a small dedicated highly commercial team.

There are exceptional opportunities for advancement within the group.

The candidate will be experienced in multi-currency accounting and attendant foreign exchange issues within groups of companies and will be competent in working with colleagues who are not from accounting backgrounds. Experience of the retail sector would be an advantage. Likely age range 28-38 yrs.

Remuneration: $50 - 70,000

Please reply in writing with a CV to the
Financial Director -
Berkeley Administration Inc
350 Avenue Louise
1050 Brussels
Belgium

ACCOUNTANCY APPOINTMENTS

FINANCIAL CONTROLLER

London — **to £35,000 + car + benefits**

Our client, the UK subsidiary of a privately-owned Swedish project and construction management group, has been involved in a number of significant and high profile projects throughout London and the South East and prides itself on a methodology which is the envy of its competitors. Following a reorganisation of its existing team, the Company is now seeking to recruit a Financial Controller.

Reporting to the Managing Director, the successful candidate will be responsible for the efficient operation of all financial aspects of the business. Given the nature of the working environment, the role will require extreme flexibility and a hands-on approach, not only to accounting matters, but also to business development and general administration.

Applicants should be qualified accountants with the adaptability to thrive in a small company. Key attributes will include an outward-looking, commercial approach, familiarity with computerised systems and the ability to successfully manage a small team. A background in the property or construction sector would be a distinct advantage and linguistic skills would prove a useful asset.

Please write, in confidence, enclosing full career details to Tim Knight quoting reference A5222.

KPMG Peat Marwick Selection & Search
70 Fleet Street, London EC4Y 1EU

Head of Finance and Administration

City — **c. £40,000 + bonus + car**

Our client is a leading investment manager group, one of the top four independent investment managers in the U.S. They have recently formed a new international subsidiary, based in the City of London, which will manage international portfolios for their institutional clients.

This position is critical to the start up and future success of the new venture. Reporting to the Administration Director, you will be responsible for all aspects of finance and administration for the new company, including management and statutory reporting and control, mainframe, p.c. and telecommunications systems, and regulatory and compliance work. You will also have management responsibility for all investment administration, supported by an experienced subordinate manager. There will be a close working relationship with senior staff of the U.S. parent company.

A qualified chartered accountant, probably in your mid 30's, you will need a strong record of achievement in the finance and systems areas within an international business in the financial services sector. In addition, you must be a highly motivated individual, with the initiative and confidence to head up your function in the U.K., and with the maturity and presence to work closely alongside the senior management team.

This is an excellent opportunity to join a new venture with a prestigious organisation which offers excellent career development through the growth and development of its business.

Please reply in confidence quoting reference SO 283 to Sarah Orwin, adviser to our client, giving concise career, salary and personal details at Ernst & Young Search and Selection, 21 Conduit Street, London W1R 9TB.

Ernst & Young

SEARCH AND SELECTION

FINANCE DIRECTOR

NORTH EAST — **c£35,000+CAR+BENEFITS**

Recent substantial structural changes within this privately owned capital equipment manufacturer has created the opportunity for this significant new role. The company, world leaders in their field, are currently embarking upon acquisition plans which will double existing turnover. The position will hold Board status and be totally responsible for the areas of Finance, DP, Personnel and Administration with a firm brief to strengthen controls in these areas. Duties will include year end accounting, budgets, forecasts, systems development, banking with particular emphasis upon financial analysis of possible acquisitions. Candidates will be qualified accountants aged 30-40 years with considerable industrial/manufacturing experience. Extensive man management experience together with personal qualities of enthusiasm, drive and energy are essential.

For a confidential application form telephone LORNA DINNING on Tyneside (091) 261 6940, or forward a comprehensive CV with full salary details to Northern Recruitment Group, Vine House, Vine Lane, Newcastle upon Tyne NE1 7PU. Please quote reference number CLD1050.

NORTHERN RECRUITMENT GROUP
MANAGEMENT SELECTION

Next stop: Financial Director

GROUP FINANCIAL ACCOUNTANT — **c.£35,000 + 2L car + benefits**

After three years as a qualified ACA, spent translating public practice experience into a retail/commercial role, you're ready and prepared for a more substantial challenge.

As a £1 billion service group, our client is ideally placed to provide that challenge – and supply the experience that will equip you for director-level responsibility within a subsidiary after as little as 3 years.

Primarily, they're looking for strong consolidation and statutory accounting skills, followed by proven management ability and PC experience including, ideally, Micro Control software implementations.

You will need all those skills and more, as you set about taking over the statutory accounting function, re-appraising group financial procedures, implementing a new PC based consolidation package and managing a financial accounting section.

As well as experience, you'll need maturity, since you must overcome all the challenges and difficulties associated with a period of change. Prove this, and rapid career development is guaranteed.

Please fax your CV to Carrie Barnes on 071-407 6176. Alternatively telephone her for a confidential discussion on 071-357 7141, or write to her, stating current salary, at Juniper Woolf Consulting Partners, Gemini House, 180 Bermondsey Street, London SE1 3TQ. Please quote Ref. C937.

Juniper WOOLF

SEARCH & SELECTION · RECRUITMENT ADVERTISING

Financial Controller

C. London — **c £35,000 + Car**

The National Magazine Company is a leading publisher of womens' magazines. With household name titles such as Cosmopolitan, She, Harpers & Queen, Good Housekeeping, and Country Living, the company has a turnover of £60m and 450 employees.

A capable Financial Controller is sought to oversee the day to day running of the Finance Function. Reporting to the Finance Director and managing a closely knit team of 16, responsibilities will include providing monthly and year end financial accounts, credit control, cash management, budgeting, ledger control, payroll and pensions. Existing computer applications and accounting procedures will be reviewed and developed.

The successful candidate will be a qualified accountant, aged 32-45 and have a strong track record in a hands-on detailed accounting role. Proven management ability within a similar industry sector and computer literacy are prerequisites.

Interested applicants should write enclosing a full CV with daytime telephone number quoting Ref 473 to: Philip Rice, MA, FCMA, Whitehead Rice, 43 Welbeck Street, London W1M 7PG.

Whitehead Rice

MANAGEMENT SELECTION

SUBSTANTIAL PROPERTY COMPANY

Portfolio Management Director — *c.£50,000 + Bonus + Car* — *London*

The Company:

- One of the UK's major property companies, with substantial development and investment interests
- £500 million diversified portfolio managed by the Investment company, with emphasis on improving returns through careful selection of properties and their active management
- Strengthening senior management to cope with strategic portfolio rationalisation and diversification programmes

The Role:

Reporting to the Director in charge of the Investment company, and responsible for:

- Adding value to the portfolio through application of investment flair allied to sound financial and asset management
- Liaising with investment team on acquisitions and disposals for the portfolio.
- Identifying refurbishment and development opportunities within existing portfolio
- Establishing policies and procedures supportive of first-class standards for active property management and financial administration

The Candidates:

- Aged in their 30s, qualified surveyors, probably graduates
- Proven investment management skills acquired mainly with Commercial portfolios
- Creative team players with first-class personal communications
- Business and organisational skills to develop Portfolio Management into separate profit centre status

Candidates should write in confidence to Elizabeth Parry at the address below, enclosing a comprehensive CV.

CHARDON AND ROSE
HUMAN RESOURCES CONSULTANTS
35 Hill Street, Mayfair, London W1X 7FD
Telephone: 071-491 0239 Fax: 071-493 8027

EUROPEAN RECRUITMENT CONSULTANTS

...porates & public authorities. at 081-876 0404.

...cations of less than 1,500

Philip Coggan

...SIONAL ADVICE BEFORE ENTERING INTO COMMITMENTS

...73722, Financial Times, One Southwark Bridge, London SE1 9UH

AUTHORS Your book published. details: FT, Excalibur Press of London, 13 Knightsbridge Green, London SW1X 7QL

Tel: 209 941 1288
Fax: 209 485 5483

STRATEGIC PLANNING MANAGER

CENTRAL LONDON

c.£35,000 + CAR + SUBSTANTIAL BENEFITS

In an increasingly competitive marketing environment, Abbey National is establishing itself as a more broadly based personal *financial services organisation*.

The Corporate Planning department plays a central role in planning the future direction of the Abbey National Group.

As a Strategic Planning Manager you will be responsible for identifying the key strategic issues concerning Abbey National's core markets and new business developments, for a major sector of the Group's activities, and for recommending appropriate action to *Management.*

A University honours graduate (2:1), ideally with an MBA or ACA qualification, you will have at least 5 years commercial experience in a large organisation. This will preferably have included both line management and planning or consultancy, where you will have learnt to combine your practical, financial, analytical and strategic thinking skills. Task oriented and self-motivated, you will have excellent communications skills.

This is an ideal opportunity to contribute to the strategic development of one of the country's most dynamic financial services organisations, working in close liaison with Group General Management.

Remuneration and benefits include an attractive salary, profit share, mortgage subsidy, subsidised healthcare, pension scheme and fully expensed quality car.

Please write with full C.V. detailing your suitability for this position to Elaine Kent, Recruitment Adviser, Abbey National, Abbey House, 201 Grafton Gate East, Milton Keynes MK9 1AN. The closing date for applications, which are invited from all sections of the community, is 12th December 1990.

ABBEY NATIONAL

Ever feel that being a Partner in a very large Accountancy Firm is not right for you?

My name is Hugh Aldous. I am the Managing Partner of Robson Rhodes.

We have been positioning our firm to be a first class, viable, national alternative to the very large accountancy firms. We are seeking individuals who:

thrive on identifying opportunities, solving problems and creating solutions for clients,

are entrepreneurially minded and commercially educated,

are innovative, bright, energetic and results orientated,

enjoy the freedom of working in small teams of highly skilled professional staff addressing and meeting clients needs

and want a more direct influence on the direction and management of their firm.

If you are this kind of person, then we can offer you the kind of satisfying working environment you are seeking.

If you feel that you have the qualities, drive and interest I would like to hear from you. Call me this weekend on 071 487-4761 or during the week from 9 am to 7 pm on 071 251-1644 for a strictly confidential discussion.

ROBSONRHODES

Chartered Accountants

186 City Road, London EC1V 2NU

National Offices in Birmingham, Bradford, Bristol, Cambridge, Crawley, Leeds, Leicester, London, Manchester, Maidstone and Rochester
Overseas Offices in most major cities as part of DRM

Finance and Systems

£30,000 + Car

The imagination to innovate and the drive to implement will be vital in this role. Management within this high profile UK organisation looks to its finance team to provide the quality information needed to support strong business control and direction. As Systems and Reporting Manager you will be key in providing the underlying strategy and a cohesive and viable action plan to achieve this aim.

Utilising a powerful main frame facility with networked pc's, you will act as a focal point for systems development and monthly reporting. An in-depth review of current systems and controls and the assessment and integration of the diverse needs of operating units will be fundamental to your approach.

An articulate and computer literate ACA/ACCA/ACMA, your background in a large, extensively computerised organisation will have equipped you with the skills and confidence to meet both the technical and managerial challenges of the role. Location: Central London.

Please reply in confidence quoting Ref: R120 to:

Margaret Mitchell FCCA,
Grace & Templar, Equatoria Court,
36 Galena Road, Hammersmith,
London W6 0LT.
Tel: 081 741 2122 Fax: 081 741 0512

GRACE & TEMPLAR

Financial & Management Recruitment Consultants

KEY FINANCIAL APPOINTMENT WITHIN LEISURE

London

to £40,000 + Car + Benefits

Since its inception in the mid 1970s, this multi-faceted leisure organisation has consistently remained at the forefront of developments within the industry. It has successfully pursued a strategy of developing its core business through a policy of acquisition and organic growth.

With a turnover now approaching £400m and profits exceeding *expectations, it is now able to face the 1990s as an industry leader.*

To facilitate the continuing success of the international operations and to ensure controlled expansion, a key requirement has been identified offering the opportunity to establish a vital function.

Reporting to the Finance Director, the Group Audit Manager will form part of a close knit high profile team.

The successful individual will be responsible for initiating and developing internal systems and management reviews together with value for money investigations throughout the international group. Through significant liaison with divisional executives, it is essential that a thorough overview of the group's activities is obtained with recommendations for change. The role will attract special and ad hoc assignments from the Board including assisting in strategic corporate *acquisitions and disposals.*

Candidate requirements are clear; a qualified accountant, aged from 30 who can demonstrate a sound understanding of the workings of a major international business, either at Manager level within public practice or from within commerce and industry in a review capacity. Other essential attributes will include a high level of enthusiasm and energy tempered with diplomatic and assertive qualities.

*Interested candidates should contact Jon Vonk or Michael Herst on **071-629 4463** (day) or **081-502 1247** (eves) or send an appropriate curriculum vitae quoting reference MH826 on all correspondence.*

HARRISON WILLIS

EXECUTIVE SEARCH & SELECTION

Cardinal House, 39-40 Albemarle St., London W1X 3FD. Tel: 071-629 4463

LONDON · READING · GUILDFORD · ST ALBANS · BRISTOL

Financial Controller

Welwyn Garden **c. £32,500 plus car**

Successful and respected international service-based plc seeks a financial controller who will be responsible to the Group Finance Director for all central finance functions including divisional performance review and reporting, treasury management, statutory accounts, head office accounting and consolidation systems.

Candidates, aged say 27-35, will be qualified accountants, preferably graduates, with broad financial experience and exposure to international operations. Excellent public practice experience could, however, be an acceptable alternative, not least because a high level of technical expertise is important, as are inter-personal skills and computer literacy.

For details, write to John Courtis FCA, at JC&P,
104 Marylebone Lane,
London W1M 5FU,
specifying clearly how you meet the above criteria (and enclosing CV), quoting 7245/FT.

John Courtis & Partners
Search and Selection

GROUP FINANCE DIRECTOR

COMMUNICATIONS GROUP

Oxfordshire **c£35-40,000 + Car + Profit Share**

Recently voted "Consultancy of the Year" for the second time in succession, this broadly based communications Group has consistently achieved rapid growth and record profits. It currently employs 230 staff in Oxfordshire, London, Glasgow and Brussels.

As part of their long term strategy they now seek to appoint an exceptional individual to be responsible for the management of all the Group's financial affairs. This will include financial and management reporting, strategic planning, and capital/treasury control.

Additionally he/she will be responsible for monitoring the performance of all subsidiary companies as well as playing an active role in the commercial management of the Group.

Ideally aged between 28-35 the successful applicant will be a qualified Accountant with at least 5 years commercial experience, part of which will have been gained at group level, preferably within a service sector environment. The preferred candidate will be a clear decision maker with first class interpersonal and technical skills in order to be actively involved at all levels within the Group.

This represents an outstanding opportunity to become part of the core of the management team and therefore only candidates who can clearly demonstrate success in a challenging environment will be considered.

Interested applicants should telephone Simon Hewitt on 071-437 0464, or write to him, enclosing a detailed CV, at the address below.

ROBERT • WALTERS • ASSOCIATES

RECRUITMENT CONSULTANTS

Queens House 1 Leicester Place London WC2H 7BP

Telephone: 071-437 0464 Fax: 071-437 0597

FINANCE DIRECTOR

SURREY **c. £35K + Benefits + BMW Car**

After ten highly successful years WICAT is acknowledged as one of the world's leaders in the fast growing market of technology based training.

New focus has been given to WICAT's operations in Europe and this has led to the need to appoint a new Finance Director. Reporting directly to the Managing Director you will have functional responsibility for all financial matters within the Company.

You will be a qualified accountant with a sound business mind, able to contribute to the strategic development and planned extension of this innovative Company.

Applications and CV's should be sent to Erin Tonks WICAT Systems Ltd., WICAT House, 403 London Road, Camberley, Surrey GU15 3HL

WICAT

The Learning Improvement Company

GROUP FINANCIAL CONTROLLER
FROM 30K PLUS BENEFITS

Required by independent food group based in London reporting directly to Executive Chairman. Turnover approx. £8m. In addition to all normal financial functions, he/she will be expected to play a major role in improving administrative efficiency across the Group and make a creative input in its affairs. The successful candidate will be a results orientated qualified accountant and will ideally have held a similar post in an entrepreneurial organisation.

Write with full C.V., including salary history, to the Chairman,
Box A303, Financial Times,
One Southwark Bridge,
London SE1 9HL.

FINANCIAL CONTROLLER ZAIRE

Our client is a well established international construction company operating in a number of countries in East and Central Africa. They are currently seeking a Financial Controller to be responsible for all accounting and company secretarial matters in Zaire.

Candidates should be French speaking, have strong technical skills and be capable of working to deadlines with a minimum of supervision. Overseas working experience, preferably in the construction industry, will be a distinct advantage.

An attractive expatriate package, including substantial tax free salary, will be negotiated with the successful candidate.

Please send full CV to:-
Amanda Pearsall
PH Recruitment
3 Shortlands
Hammersmith
London
W6 8AL

quoting ref: WAC/ajp

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Group Accountant

London **c£33,000 + Car**

Our client is a well known international distribution business operating within a highly competitive, dynamic service sector. Strongly positioned in Europe and worldwide, the Group continues to display an outstanding record of expansion through organic growth and acquisition.

Following two recent major acquisitions, the Group's reporting structure has been redefined and a new position of Group Accountant has been created to ensure that the quality of financial and management information is maintained.
Interfacing directly with the Divisional Financial Controllers, the individual must have outstanding technical accounting and interpersonal skills and be capable of operating in a pressurised environment.
The ideal candidate will be a qualified Chartered Accountant, aged 27-32 years old and is likely to have had a minimum of 2 years' post qualification experience preferably gained outside of the profession. Applicants must demonstrate attention to detail and be able to produce results to strict deadlines. Excellent PC skills with previous experience of writing spreadsheet macros is essential.
Interested candidates should forward a comprehensive curriculum vitae to **Liam Dowds, Michael Page Finance, 39-41 Parker Street, London WC2B 5LH, quoting reference number LD/5962.**

MP

Michael Page Finance
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham Manchester Leeds Newcastle-upon-Tyne Glasgow & Worldwide

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LONDON WERELDHAVE c £45,000 + BONUS

Financial Controller

Wereldhave Property Corporation plc (formerly Peachey Property Corporation) is the UK operation of Wereldhave NV, the major Dutch property group which acquired Peachey two years ago. Activities in the UK are focused on property investment and the company has an extensive portfolio of commercial holdings across the country.

Reporting to the Finance Director, you will assume responsibility for the general management of the finance function. Your responsibilities will include financial and management accounting, tax computations, treasury management and computer systems. You will, in due course, have an opportunity to contribute to the commercial management and strategic planning of the company.

You will be a qualified Accountant, preferably Chartered, aged in your mid thirties to early forties. Broad-based financial management experience will have been gained ideally in a property-related business and you will possess a good knowledge of company taxation and computerised accounting systems. You will also be commercially minded, outgoing, with good interpersonal skills and a strong desire for teamwork.

The excellent remuneration package includes a guaranteed bonus, fully-expensed car and non-contributory pension scheme.

Please send full personal and career details, including daytime telephone number, in confidence to Christopher Evans, Coopers & Lybrand Deloitte Executive Resourcing Ltd, 76 Shoe Lane, London EC4A 3JB, quoting reference CE/767 on both envelope and letter.

Coopers & Lybrand Deloitte | Executive Resourcing

TAXATION MANAGER

Hampshire **Circa £55,000 + Car**

With its head office located within easy reach of the M3, M4 & M25 this dynamic plc enjoys a reputation as one of the world's largest systems & software services companies. The companies operations span Europe and the U.S. and recent strategic re-organisations have left it in a strong position for further growth in the 1990's.

As a result they now seek to recruit a Taxation Manager to work closely with the Finance Director in the following areas:

- Ensuring the timely submission and negotiation of all tax returns worldwide
- Advising on corporate structuring and fund raising issues
- Co-ordinating all international tax planning including advising on acquisitions and disposals.

You will ideally be currently working within a commercial tax department and have gained a thorough knowledge of UK, US & European taxation. You will also be used to taking a major role in strategic decision making as well as working within a small head office team.

A knowledge of, or keen interest in, the computer industry would be advantageous but is not a prerequisite.

To discuss this opportunity further contact Graham King on 071-437 0464 (during working hours) or 071-226 4557 (evenings/weekends) or write to him enclosing a current C.V. at the address below.

Strictest confidence assured.

ROBERT • WALTERS • ASSOCIATES
RECRUITMENT CONSULTANTS
Queens House 1 Leicester Place London WC2H 7BP
Telephone: 071-437 0464 Fax: 071-437 0597

GROUP FINANCE DIRECTOR (Listed plc)

Surrey/S W London **Package c. £75,000**

Since 1980, our client has grown to become a financially strong, £100+ million pa group in specialist FMCG wholesale distribution. They now seek an energetic and practical group finance director to carry full participation in current core and subsidiary operations, as well as the future strategy of the group.

In addition to current group activities, responsibilities will also include ensuring that the highly sophisticated M.I.S. are updated and effective.

The role requires a practical approach to problem solving, and a positive management style which will enable you to liaise effectively and contribute at all levels within the group.

To succeed you must be an ACA/FCA aged 35+ and have had board experience with a quoted plc, in additon to a proven line management background.

The work is both challenging and rewarding, an excellent opportunity for an ambitious, commercially aware & business orientated F.D.

Please send/fax your CV attn:- **F Montaud, Philbrand Associates, 8 Blackhills, Esher KT10 9JW FAX: 0372 64796**

Controller
Finance & Administration

N. Home Counties **to £45,000 + Bonus + Car**

This US corporation, a household name, enjoys an enviable worldwide reputation for innovative sales and marketing techniques within the highly competitive and fast-moving consumer products sector. It is committed to maintaining a dominant market position through continued quality emphasis programmes coupled with well researched diversification strategies. The UK division, a £200M business, plays a significant role in the achievement of group objectives and is the largest subsidiary within Europe.

There is a need for an outstanding individual to join the finance team and make a key contribution within this challenging and demanding environment.

Reporting to the Chief Financial Officer and managing a 40-strong team through 5 departmental heads, responsibilities will include statutory reporting, inventory management, treasury and taxation. A key task will be to improve operating and financial controls through the enhancement of management information systems.

A Chartered Accountant, preferably aged 32-38, you will possess the technical competence and professional maturity to lead, motivate and develop a committed finance team. Your post-qualification experience will have been gained within a large corporate environment. A thorough knowledge of UK financial accounting standards is necessary, and an awareness of G.A.A.P. reporting is considered desirable.

The attractive benefits package will include a profit related bonus scheme, fully expensed executive car, attractive pension scheme and family health care. A generous relocation package will be available if required. Prospects for advancement within this progressive environment are excellent.

Interested applicants should write, enclosing a full CV, to James Hyde at the address below.

ST. JAMES ASSOCIATES

MANAGEMENT SELECTION
32 Old Burlington Street, London W1X 1LB Fax: 071-287 2821. Telephone: 071-287 2820.
A GKR Group Company

FINANCIAL CONTROLLER

Huntingdon (Cambs.) **c.£28,000 + Car**

Our client is a £40 million turnover multi-site distribution/retail subsidiary of a progressive and substantial UK PLC with a turnover in excess of £700m.
Reporting to the General Manager, the Financial Controller will be responsible for an accounts department of 20 staff.
The requirement is for a hands-on individual capable of implementing and monitoring accounting controls within an organisation going through a period of rapid change. This calls for a self-motivated individual with the strength of character needed to convince experienced line managers of the need for change.
The role is essentially management accounting orientated with a marketing bias and should appeal to commercially aware qualified Accountants possessing an analytical approach combined with management experience, ideally gained in a distribution/retail environment.
In addition to offering considerable scope for both personal and career development, the company offers a highly attractive remuneration package.

Interviews will be held locally, but in the first instance please telephone Alyn Pearce on (0222) 225512 or write to him at Daniels Bates Partnership Ltd., Caerwys House, 1 Windsor Lane, Cardiff CF1 3DE.

Daniels Bates Partnership
PROFESSIONAL RECRUITMENT

Leeds (0532) 461671 Grimsby (0472) 251180
Sheffield (0742) 754015 Cardiff (0222) 225512
Manchester (061) 835 3311 York (0904) 612615
Nottingham (0602) 483321
Darlington (0325) 485992
Middlesbrough (0642) 248111
Aylesbury (0296) 393040
Hull (0482) 26382

INTERNATIONAL TREASURY ACCOUNTANT

Hertfordshire
Nr M1-M25
c£28,000 + Car + Substantial Bonus

For a versatile ACCOUNTANT with specialist experience in the TREASURY function - THIS newly created appointment will provide a challenging and demanding career opportunity where self development and initiative is encouraged.
The Company is a long established International Group driven by an experienced Management Team and committed to continued, planned growth in the U.K. and overseas. The JOB will call for expert development of all TREASURY functions - reporting to the Financial Controller for International Operations. Applications are welcomed from qualified Accountants - preferred age 28-36, with previous Treasury experience, ideally gained in a Multinational organisation.
We seek SKILLS in Corporate Funding, Cash Flow control and management of Multi-currency exposures, Interest and Credit risks.
Candidates will develop close relationships with financial institutions and the Companies overseas subsidiaries. This is a high profile role, operating at all levels in a forward looking organisation able to offer real career enhancement and progression.
Interested - Contact:-
ARTHUR FLITTER, Adviser to the Company

BEAUMONT MANAGEMENT SERVICES LTD.

Beaumont House,
Station Path,
STAINES, Middx.
TW18 4LA
0784 462131 (24 hours)
Fax 0784 464643

BMS

Finance Director

Sports And Leisure

Lancashire,

c £45,000,
Executive Benefits

This expanding plc manufactures and distributes a range of sports and leisure goods, and has a current turnover in excess of £20m.
They now require a Finance Director to head up the function. The initial emphasis requires a practical, hands-on approach in order to upgrade and tighten financial controls and management information systems. Thereafter, the emphasis will switch to assisting the Chief Executive by making a significant contribution to strategic development and planned expansion of the company.
Professionally qualified, you will probably be operating at Contoller or Director level in a small to medium sized distribution or manufacturing company, or perhaps a subsidiary of a major plc. Considerable commercial flair, a systems background, and the ability to manage and lead the executive team in the financial direction of the business, are all critical requirements. The excellent fringe benefits package will include share options, bonus, non-contributory pension scheme, company car and relocation assistance where appropriate.

Male or female candidates should submit in confidence a comprehensive c.v. or telephone for a Personal History Form to, *M. Stein*, **Hoggett Bowers plc**, *1/2 Hanover Street,* **LONDON,** *W1R 9WB*, **071-734 6852, Fax: 071-734 3738,** *quoting Ref: H17096/FT.*

Hoggett Bowers

BIRMINGHAM, BRISTOL, CAMBRIDGE, CARDIFF, EDINBURGH, GLASGOW, LEEDS, LONDON, MANCHESTER, NEWCASTLE, NOTTINGHAM, ST ALBANS, SHEFFIELD, WINDSOR and EUROPE

Group Treasurer

Leading IT Group

To £55,000 + excellent benefits — M3/M4 Corridor

This respected and well known British group has recently re-focused its activities and is poised for further international growth. It requires an outstanding professional to create the Treasury function and play a key role in the commercial development of the group.

THE COMPANY

- A quoted plc: one of the world's largest systems and software services groups.
- Well focused businesses and strong competitive position in the UK, USA and Europe.
- Strong balance sheet and dynamic management.

THE POSITION

- Build a full service Treasury management function. New role reporting to Group Finance Director.
- Emphasis on international cash and FX management.
- Active deal-making role in acquisitions and divestments.

QUALIFICATIONS

- Extensive knowledge of FX, cash management and funding in a multinational environment.
- Age 30-45. Graduate, preferably accountant, MBA or ACT, with experience from a sophisticated Treasury or corporate banking.
- Outstanding commercial acumen. Maturity and assurance to relate well in a high calibre people business.

Please write, enclosing full cv. Ref BJ4014
NBS, Bennetts Court, 6 Bennetts Hill, Birmingham, B2 5ST
021-233 4656
(Interviews in Thames Valley)

NBS SELECTION LTD — TREASURY RECRUITMENT

LONDON • SLOUGH • BIRMINGHAM • MANCHESTER • BRISTOL • GLASGOW

CHANGING THE FACE *of finance*

To c£30,000 + car
West London

My client is a major west London-based service organisation with a turnover of £250m and a clear vision of their strategy and goals for the 1990s.

They are at present in an important period of change as they seek to reshape their structures, services and systems.

Against that exciting background, they now seek to recruit high calibre individuals to take up newly created roles in the Finance Department.

As one of their **Heads of Finance** it will be your job to ensure that budgetary responsibility is devolved to the appropriate level, supporting and guiding that process through the provision of advice and relevant financial information to your colleagues. Your influence will be felt as you help determine the financial policies and procedures to be adopted and also as you lead your own small team to efficient service delivery. The need is for fully qualified Accountants with at least 18 months' post-qualification experience, which should include implementing and advising on budgetary systems.

These are high profile career opportunities that will enable you to broaden your skills and demonstrate real achievement in a changing financial environment.

To apply, please send your CV (quoting ref YS767) to David Burke, Senior Consultant, Austin Knight Consulting, Knightway House, Park Street, London Road, Bagshot, Surrey, GU19 5AQ. For an informal discussion, telephone him on 0276 51410 (office hours) or 0272 686185 (evenings/weekends).

Austin Knight

Financial Director

Cheshire — **c£33,000 + Bonus + Car**

Our client is the £33 million turnover autonomous UK subsidiary of a major US corporation engaged in the design and manufacture of specialised architectural systems. A period of significant growth and major capital investment has enabled the business to assume product leadership in the quality UK market. Future plans are for further expansion and increased market share.

They now seek to recruit a Financial Director to join the executive team and play a leading role in driving the business forward. Responsibilities will include overseeing financial control and computer systems development, with particular emphasis on providing a commercial input to the management decision making process. Close involvement in the formulation of marketing and production strategy, as well as customer negotiations, demonstrate the high profile nature of this role. The position provides an excellent opportunity for progression into general management.

Candidates, aged over 30, should be qualified Accountants, with a track record of success in financial and man management achieved within a computerised manufacturing environment. As this is a key position, highly developed interpersonal skills and business acumen are essential. The salary package is negotiable and full relocation facilities will be provided where appropriate.

Interested applicants should write to **Mark Hurley ACMA, at Michael Page Finance, Clarendon House, 81 Mosley Street, Manchester M2 3LQ, quoting Ref: 14809.**

Michael Page Finance
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham
Manchester Leeds Newcastle-upon-Tyne Glasgow & Worldwide

The expansion of markets, engineering concepts and product range, allied to the appointment of a new Managing Director are all examples of the initiatives being taken by this ambitious American Group to develop what is currently a traditional UK engineering Company into a truly international organisation. A Financial Director is now needed to be at the forefront of this strategic and cultural transition.

FINANCE DIRECTOR

Midlands
To £40,000 + Car

Reporting to the Managing Director the initial brief will be a comprehensive business review focusing on the full spectrum of future business strategy and corporate direction. At this time the financial management and reporting of the company require little more than a watching brief.

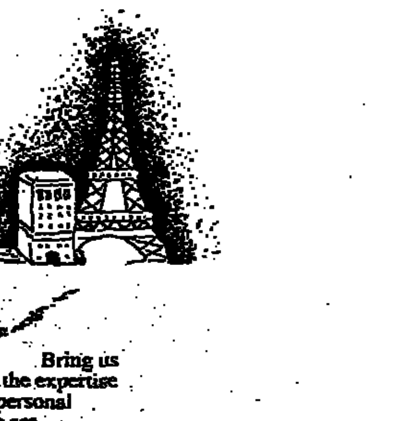
Engineering and capital equipment based the need is not only for several years of relevant experience but also a track record of successful participation in structural & commercial growth within such an environment. Applicants should be qualified in one of the three major accounting disciplines and probably aged 35 plus.

Candidates should apply in writing with full career details and current remuneration to Brian J. Smith quoting ref no 1006/FT at: QMS Recruitment, The Crescent, King Street, Leicester, LE1 6RX.

QMS Recruitment

Director of Finance and Administration

in the European Arena



c. £50,000 + outstanding package

Ungermann-Bass has an enviable reputation worldwide and our success continues unabated. Operating at the leading edge, our products help computers using different technologies understand one another – a powerful business tool, in anyone's language.

Our European operation already has a turnover close to $100 million and, with 1992 fast approaching, Ungermann-Bass is determined to forge still further ahead, building on its impressive growth record.

The Director of Finance and Administration we now seek will have considerable scope to significantly influence the company's future. Working in partnership with the Vice President for Europe and as part of the Business Development Team, you will be expected to provide expert financial and strategic advice on business policies, resources and plans both for individual European operations and the Group as a whole.

In a complex, senior consultancy role there will be involvement in every aspect of our business. Exceptional inter-personal skills and management ability, matched by an impeccable financial pedigree gained within a high technology environment, will be vital. An aptitude for languages would be an additional asset.

Bring us the expertise and personal qualities we are looking for and you will be rewarded with a highly attractive remuneration package and a real career challenge.

For further details please write to Sue Hampson, Director of Human Resources, or send your CV to her at Ungermann-Bass Europe, Compass House, 207-215 London Road, Camberley, Surrey GU15 3EY. Tel: 0276 685071.

Ungermann-Bass
BRINGING THE BEST TOGETHER

Mature Finance Manager

London W1 — **£40-45,000 + Car**

Our client is a well established, international management consultancy, whose primary focus is the implementation of broad based business solutions, working with Fortune 500 companies.

Sustained growth in the European business has created the requirement for a Financial Controller to be responsible for the provision of high quality financial and administrative support to the UK management team and the maintenance of an effective interface with the US parent company. The successful candidate will be expected to contribute strongly to the management of the business, via the development of control and reporting systems, liaison with professional advisors, management of all office services and the leadership of a small team.

Candidates, aged 45-55, should be mature, qualified accountants, with a broad base of financial management experience, preferably gained in a fast growing company environment. Key personal qualities will include excellent interpersonal and communication skills, a participative management style and a preference for action rather than delegation.

Interested applicants should send a comprehensive curriculum vitae, quoting ref. 2635, to **Alan Dickinson ACMA, Executive Division, Michael Page Finance, 39-41 Parker Street, London WC2B 5LH. Tel: 071-831 2000.**

Michael Page Finance
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham
Manchester Leeds Newcastle-upon-Tyne Glasgow & Worldwide

Financial Planning & Analysis

Central London — **around £28,000 + car**

Operating at the leading edge of technology, our client is committed to Total Quality in the provision of service and solutions to customers. In order to further sharpen its competitive edge, they have recently created two exciting new positions for ambitious, highly-motivated, qualified accountants (male/female) aged 25 to 30.

Analysing information, evaluating business decisions and enhancing profitability will form a key part of what could become your brief. However, your responsibilities will be far more wide ranging. As a team player, you will for example, be heavily involved in identifying profit opportunity and contributing to business strategies. You will work closely with the regional Senior Management where you will recommend proposals that maximise opportunities and minimise risks to the business.

With the ability to develop and inspire a picture of the future, you will have sound commercial and financial management experience in a fast moving environment, with up to two years PQE. A firm knowledge of financial modelling is vital as are creativity, maturity and excellent interpersonal skills.

Future prospects and rewards within this dynamic and demanding environment are outstanding and totally performance related. Ref: 2136/FT.

Write or telephone for an application form or send full details (with daytime telephone number and current salary) to Paul Carpenter, FCA, FCMA, ACIS, 2-5 Old Bond Street, London W1X 3TB. Tel: 071-493 0156 (24 hours).

Phillips & Carpenter
Selection Consultants

APPOINTMENTS ADVERTISING

appears every

Wednesday Thursday

& Friday (in the International Edition only)

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

INTERNAL AUDITOR

The University is seeking to appoint a qualified accountant to a newly-created post of Internal Auditor.

You will have had a minimum of three years' post-qualifying experience which will ideally include familiarity with the operation of a large, integrated accounting system.

The post involves responsibility for establishing and implementing programmes for the systematic audit of the University's financial and management control systems. The job-holder will be directly responsible to the Vice-Chancellor and will report regularly to the Audit Committee, responsible to the University Council. Day-to-day contact will be with the members of the top management team responsible for the finance and accounting functions.

Value for money studies are seen as an important component of the internal audit task; applicants will be expected to demonstrate commercial awareness, have strong analytical abilities, and be effective communicators. A sound appreciation of the importance of management information is essential as is the ability to be both tactful and effective.

Salary negotiable around £23k per annum.

Five copies of applications, together with the name of three referees, should be sent to the Personnel Office, University of York, Heslington, YORK YO1 5DD by Tuesday 18 December 1990. Please quote reference number 3/5078.

UNIVERSITY OF YORK

هكذا من الأصل

SOUTH COAST

c £50,000 + CAR

Group Controller
Major PLC

This is a new and high profile appointment within a large PLC, now embarking on a programme of substantial development. To meet these changing needs the group is reshaping and strengthening its central finance function and thus the position represents an outstanding career opportunity for a high calibre commercially aware accountant with the determination, commitment and enthusiasm to play a major role.

Reporting to the Finance Director you will assume responsibility for the financial control of the overall PLC including financial analysis, management reporting, control audit and a close involvement with the development of the large financial systems. The size and complexity of the business calls for technical, intellectual and creative skills of a very high order and the scope of the job requires well proven abilities to manage change and lead a professional team.

If this is of interest and you are an experienced and able finance manager with a strong track record of financial control gained at the centre of a major PLC, we would be pleased to hear from you.

Please send full personal and career details, including current remuneration level and daytime telephone number, in confidence to Jane Gunn, Coopers & Lybrand Deloitte Executive Resourcing Limited, 76 Shoe Lane, London EC4A 3JB, quoting reference CH768 on both envelope and letter.

Coopers & Lybrand Deloitte | Executive Resourcing

FINANCIAL CONTROLLER

South Wales — **c£30,000 plus car**

We are a textile neckwear Company with a turnover of about £10 millions.

We have a vacancy for a qualified Accountant (probably ACMA, or ACA) to play a full part on the management of the enterprise and specifically to manage our:

- Forward Planning
- Computerisation Programme
- MIS Development
- Treasury & Banking

It is unlikely that anyone under the age of 30 will have had sufficient experience to handle these responsibilities in a manner which should lead to a Directorship in due course.

Accountable to the Managing Director, the successful applicant will be based in Gwent but will visit London quite regularly.

Applications, which will be treated in strict confidence, should state how you believe you can meet our needs, be accompanied by a comprehensive CV and sent by post or fax to:

Peter Layhe, Theros Ltd., 6 Brooks Court, off Cringle Street, LONDON SW8 5BX Fax No. 071 498 2560

THE WTH PORTFOLIO

Senior Financial Management

HEAD OF UK PROJECT ACCOUNTING

INTERNATIONAL OIL COMPANY

Central London — ***To £40,000 + Car***

Our client is an operating company with a significant range of upstream projects. A challenging opportunity now exists for a young, high calibre accountant to manage, coordinate and control all accounting aspects of operated and joint venture projects.

The duties of the appointed candidate will involve formulating and negotiating the necessary financial agreements, procedures and reporting structures, and ensuring that the joint venture financial role of the project accounting department is effectively conducted.

A strong, but diplomatic personality is needed to create and maintain effective relationships with all internal and external parties. The ability to work under pressure, meet report deadlines and to manage and motivate people is essential.

The financial departments within the organisation have a high profile. Candidates need to be of the highest quality, able to identify strongly with the overall business objectives of the company. Applicants, probably thirty to thirty-five years of age, must be qualified accountants with at least four years experience of a joint venture project environment. An oil industry background, although not essential, would be an advantage.

In addition to the indicated salary, plus bonus, the benefits package will include an expensed car, private medical scheme and pension plan.

To discuss this opportunity contact David Jones during office hours on Windsor (0753) 857181, or, in the evenings and weekends, on Reading (0734) 482370.

Alternatively, write to him,
The Managing Partner, Digby Jay Jones,
Mountbatten House, Fairacres,
Windsor, Berkshire, SL4 4LE.
Fax: 0753 860696.

DIGBY JAY JONES
·OIL&GAS·SEARCH·SELECTION·

The recent merger of the Portman Wessex and the Regency & West of England Building Societies to form the Portman Building Society, with assets of £2.3 billion, has created the need to strengthen the finance team by the appointment of a Profit Evaluation Manager and a Tax Manager at its Bournemouth Head Office.

PROFIT EVALUATION MANAGER

The tasks involved will be wide ranging and will encompass the evaluation of the existing and potential profit of the customer base, product range, branch operations and central administrative functions, as well as other group operations, which currently are undertaken via subsidiary companies, including housebuilding, estate agency and financial services, together with the operation of an offshore subsidiary in the Channel Islands.

The function reports directly to the Assistant General Manager (Finance) and is regarded as a critical role within the organisation in developing and providing management information concerning these important areas. Applicants must be professionally qualified with at least three years' experience in this field, although not necessarily from a building society or financial services background. The candidate should have good analytical skills, be able to communicate effectively at all levels and possess good computer skills.

TAX MANAGER

The responsibilities will be wide ranging and will encompass all tax matters, especially relating to corporation tax, income tax (including the operation of MIRAS), PAYE and VAT throughout the group. The function will also be expected to provide tax related advice on potential business ventures and to liaise with the Society's professional advisers and the Inland Revenue. In addition to the above, assistance with ad hoc tax planning and finance related projects will be required.

The function reports to the Assistant General Manager (Finance) and will require someone who is professionally qualified and has a minimum of two years' experience. The candidate must possess first rate technical skills and be able to communicate effectively at all levels.

The Society offers a highly competitive salary and car, together with other benefits associated with a major employer, including concessionary mortgage facilities.

Candidates should send a curriculum vitae quoting salary requirements to Mr P Villiers, Head of Personnel Services, Portman Building Society, Portman House, Richmond Hill, Bournemouth BH2 6EP. Tel: (0202) 292444.

PORTMAN
BUILDING SOCIETY

FINANCE MANAGER

C. £30,000 + EXECUTIVE CAR — EDINBURGH

Lloyds Bowmaker Limited, a subsidiary of Lloyds Abbey Life plc is one of the Country's leading finance houses providing a comprehensive range of financial services to customers throughout the UK. The Dealer Finance Division based in Edinburgh specialises in the provision of point of sale finance to the motor industry.

Reporting to the Divisional Financial Controller you will be responsible for the financial planning, treasury and financial reporting functions with particular emphasis on the development and implementation of financial strategies and management accounting systems. You will be actively involved in measuring and evaluating the financial performance of the Division's major motor dealer customers and joint venture partners. Your communication and leadership skills will be fully utilised in the management of a small professional team.

A qualified Accountant, you must have gained at least 5 years' post-qualifying experience, preferably in the financial sector. In return, the position offers considerable scope for personal development within the Group, and a highly competitive benefits package which includes non-contributory pension scheme, private health insurance and full relocation assistance.

To apply, please forward a comprehensive curriculum vitae, indicating current salary, to: June Bell, Manager Recruitment&Administration, Lloyds Bowmaker Limited, Dealer Finance Division, Finance House, Orchard Brae, Edinburgh, EH4 1PF.

Lloyds Bowmaker

Commercial Financial Controller

Graduate Accountant

Norwich

£25 - £30,000 + Car + Benefits

An experienced professional, aged under 40, is sought by the UK division of an established publishing and communications group.

Reporting to the M.D., the role will encompass:

★ Formulation of the strategic plan and annual budget.
★ Coordination of all accounting and control functions for the UK Direct Marketing Group.
★ Preparation and interpretation of financial and analytical reports.
★ Implementation of financial management policies in conjunction with US group requirements.
★ Management of external commercial and distribution services.

The UK division is fast growing and comprises direct marketing and sales activities using the most up-to-date methods and techniques. It is in turn part of a leading US group which generates revenues of almost $200m.

Applicants should be capable professionals with strong commercial and interpersonal skills. In the short term, you will be based in Hertfordshire before relocating to the Division's new site at Norwich. Career prospects are excellent.

To discuss this outstanding opportunity in detail, please call Guy Matthews, Consultant – Northern Home Counties Division (081-363 5284 out of hours) or write briefly enclosing a CV quoting GHM/363.

personally recommended

EXECUTIVE CONNECTIONS
COMMERCE AND INDUSTRY
43 EAGLE STREET, LONDON WC1R 4AP. TEL. 071 242 8103. FAX. 071 831 4571

FINANCIAL CONTROLLER

London — **to £30,000 + Benefits**

Fresh Forward Thinking Subsidiary of U.S. Market Leader Needs an Ambitious Professional to Participate in Management

We are a dynamic, profit orientated enterprise investing in people and opportunities. We are a fast growing services company satisfying the needs of the marketing industry.

Reporting to the Group Financial Director you will be responsible for the financial administration and control of our London Division. This is a high profile role with definite career prospects. A foreign language would complement our medium term objectives. The broad commercial responsibilities will require a recently qualified accountant with flair, energy and enthusiasm mixed with aggression.

If you are ready for a challenge and feel that you have the pace to match this fast moving corporation, please call:

Ms. Toni Codd, Acxiom UK Ltd., International Services Group, Beckett House, 60-68 St. Thomas Street, London SE1 3QU. Tel: 071-378-7244.

ACXIOM

Part-Time Financial Officer/Director

Oxford — **c £15,000**

International venture investing company, currently relocating to Oxford, requires a part-time, experienced Financial Officer/Director to join its small executive team.

The job will include the maintenance of management and fund accounts as well as shareholder/investor reports. This position would suit a recently retired Chartered Accountant with some experience of fund management or venture investing and an interest in becoming involved in the development of this entrepreneurial company.

Please write with CV by 3 December to:-

Box A300 Financial Times,
One Southwark Bridge, London SE1 9HL

FINANCIAL CONTROLLER

M3 Corridor — **Package to £30K**

A prominent electronics company which is a leader in its field and which is part of a substantial European group, is seeking a qualified accountant to fill this important position.

Reporting to the Managing Director and with wide responsibilities within the company, the Financial Controller supervises the finance and accounting function, providing regular management reports with detailed analysis and forecasting.

The successful candidate should have a proven track record and be able to demonstrate financial flair, be self-motivated, innovative and forward thinking, and will need to have better than average man-management and interpersonal skills. We are looking for commitment, energy and enthusiasm.

If you can match these requirements and wish to join a company where you can make a major contribution to its future expansion and prosperity, please write with full c.v. and quoting Ref. UK/140690 to:-

Richard Overell, BFSS, Queen Hythe, Jacobs Well Road, GUILDFORD, Surrey GU4 7PA.

BRIAN FORBES
SEARCH & SELECTION
EUROPEAN RECRUITMENT CONSULTANTS

Financial Controller.

Morse are an expanding, profitable London-based operation. Established in 1984 with IBM, Compaq and Toshiba, we have added Sun/Unix systems to our range and are now Sun's largest UK reseller. Sales are to major corporates & public authorities.

Our Financial Controller will be an ambitious graduate A.C.A. with experience in a company where things are bought & sold. He will report to the M.D. at our new, spacious Mortlake offices. Call Margaret Cox at 081-876 0404.

MORSE

Tel: 209 941 1288
Fax: 209 465 5483

Cross St. Macclesfield SK11 7PG

... of less than 1,500

Philip Coggan

FMCG: JOIN A WORLD LEADER

To £30,000 + Car + Benefits

West London

Our Client is one of the world's leading food companies, a household name, producing a wide range of branded and "own label" products across four major market sectors. With an enviable reputation for quality, they have a history of growth through acquisition and are now concentrating on improving earnings from their current base.

FINANCIAL ANALYST

Reporting to the Group Financial Controller, you will have full involvement in Business Appraisal and evaluation of performance across their three main operating divisions. Additionally your support of the strategic planning and budgeting processes is crucial in assisting current and future commercial decision making.

MARKETING ANALYST

Working within a small, high profile team, responsibilities will embrace financial planning, analysis and control of marketing and sales budgets for one major Business Group. Reporting to the Commercial Director you will be providing financial input into pricing policy, product launches and special projects.

These newly created positions require a combination of analytical ability, commercial acumen, coupled with the ability to communicate at all levels. Candidates aged 24-30 will be ambitious newly qualified Accountants with the determination to succeed in a performance-driven environment.

Please apply directly to Graham Guess at Robert Half, Freepost, Princess Beatrice House, Victoria Street, Windsor, Berks SL4 1YY. Telephone: 0753 857777, or evenings on 081-549 3686. Alternatively, fax your details on 0753 841676.

ROBERT HALF WINDSOR

Financial Recruitment Specialists
London · Birmingham · Windsor · Manchester · Bristol · Leeds
Southampton · Brussels · USA · Canada

Senior Treasury Auditor

City Base, Plus World Wide Travel

c £32,000, Excellent Benefits

BP Finance is the innovative Corporate Treasury function serving the diverse needs of one of the largest British multi-national Companies. Founded some six years ago, it has made major contributions by devising and implementing financial strategies, tactics and operations that have supplemented the success of the main business.

This is a new post created to assist and advance the work of the Finance Audit Manager in reviewing systems and their application in London and the international financial centres. This includes audit planning and complex fieldwork. It requires a sound knowledge of international banking principles and financial instruments acquired from either the accounting profession or an international financial institution.

Candidates should be qualified Chartered Accountants, prepared to work abroad as well as in London. They should also have the natural authority, firmness, integrity and inter-personal skills that are vital in such a role. Career prospects are excellent.

Male or female candidates should submit in confidence a comprehensive c.v. or telephone for a Personal History Form to, *I.L. Duff*, Hoggett Bowers plc, *1/2 Hanover Street*, LONDON *W1R 9WB*, 071-734 6852, Fax: 071-734 3738, *quoting Ref: H15093/FT.*

Hoggett Bowers

BIRMINGHAM, BRISTOL, CAMBRIDGE, CARDIFF, EDINBURGH, GLASGOW, LEEDS, LONDON, MANCHESTER, NEWCASTLE, NOTTINGHAM, ST ALBANS, SHEFFIELD, WINDSOR and EUROPE

Financial Controller - India

NEW DELHI

Ex-Pat Salary

Career Position

This Fortune 500 U.S. company is a world leader in health care and optics with sales in excess of $1.4 billion. It has manufacturing and marketing subsidiaries in 25 countries and distributes in another 70.

A senior controller is required for a new Indian Joint Venture with headquarters in New Delhi. The company expects to employ up to 300 people and to have annual sales of $30 million within five years.

Reporting to the J.V. Managing Director in India, the key tasks will be:

- Responsibility for finance and accounting:
- Management reporting for the J.V and the U.S. company:
- Setting up finance, cost accounting and EDP systems and controls:
- Producing statutory accounts and reports:
- Recruiting and managing suitably qualified local staff.

You will have trained and qualified as an accountant, with a recognised UK professional body, and have experience in a multi-national corporation. Most probably from a consumer goods or pharmaceutical background, you will be used to working to tight reporting deadlines and have practical experience of manufacturing cost accounting.

This is a senior position and provides the opportunity to live and work in India. After three months of training and familiarisation in Europe and the USA, you will be transferred to New Delhi. During the first three years, you will be paid on a similar basis to an ex-pat. After this period, the career plan anticipates opportunities for promotion within the U.S. company in a location outside India.

Candidates should write in confidence to:: Nicholson International (recruitment consultants), Imperial Buildings, 48/56 Kingsway, London WC2B 6DX quoting reference 9135 or fax details on 071 404 8128 or call directly on 071 404 5501.

NICHOLSON INTERNATIONAL

FINANCIAL DIRECTOR

LONDON — c£40,000 + CAR + EXEC. BENEFITS

This is the UK division of a major company with interests in the hard commodities market, with a group turnover in excess of £400M. The main business of the UK division is the distribution of steel and raw materials. The group is proud of their loyalty and commitment from their staff and the successful candidate must be able to fit into this rapidly growing and entrepreneurial environment.

Reporting to the Managing Director, the role is one of key importance and one that can offer the chance to make a significant impact within their new management structure. Major elements of the role will be:-

- Management of foreign exchange exposure
- Negotiating banking facilities
- Advising on Corporate Tax
- Providing traders with the finance function support they need in order to increase trading activity and profits

The successful candidate will be a graduate qualified accountant aged 30-40 with several years experience in the field of financial management. Preference given to candidates with an export and/or commodities background. In addition to a strong technical background, and systems approach to accounting, candidates will also possess an excellent business flair, and will relish the opportunity of becoming an influential member of the board.

Please reply in confidence with full curriculum vitae to:-

FERGUSSON-TURNER CONSULTANCY LIMITED
22 Bath Road, Hounslow, Middlesex TW3 3EB
Tel: 081 569 4748

PQE

PORTSMOUTH £30,000

Treasury Manager

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